FINANCIAL TIMES

World Business Newspaper

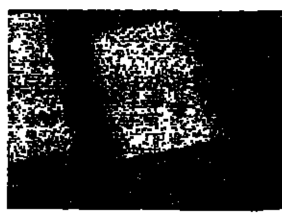
TUESDAY APRIL 4 1995 D8523A

Luxury Cruises Operators aim for a sea change in image Page 8

A new broom Revolution at the European Commission Page 20

Japan The realities of a high Yen Page 21

Today's Surveys Galicia (pages 29-32) Executive Education (pages 11-15)



Raytheon to pay $2.3bn cash for E-Systems

Raytheon, the US defence company known for its Patriot missiles, is paying $2.3bn in an agreed cash deal for Dallas-based E-Systems, which makes reconnaissance and surveillance systems. "We don't anticipate lay-offs as a direct result of this merger," Raytheon said. "The customers and markets are different, and there is virtually no business overlap." Page 23

World trade surge: World trade in goods rose by 9 per cent last year, its biggest rise for two decades, the World Trade Organisation said. Page 22

Flagship liner arrives for official naming:

P&O's German-built flagship liner Oriana arrived at the southern English port of Southampton where she will be officially named by the Queen on Thursday. *Thousands watched as the 69,000 tonne ship* berthed to the sound of a band playing on the quayside. Cruising sets sail to a new image, Page 8

Burundi massacre alleged: Burundi troops and Tutsi gunmen massacred an estimated 400 Hutus – mainly women and children – in northeast Burundi last week, diplomats and aid workers said.

Russia rejects US plea: Russia rejected US appeals for it to cancel plans to sell nuclear reactors to Iran and threatened to stop complying with a conventional arms treaty if Nato admits east European countries. Page 22

Nuclear clean-up will cost $230bn: The US will have to spend at least $230bn over the next few decades to clean up the nuclear wastes created by the arms race and future production of nuclear weapons, an Energy Department report said. Page 4

Kurds continue attacks on Turks: Kurdish rebels are still attacking Turkish troops in northern Iraq two weeks after Turkey sent thousands of troops there, a Turkish commander acknowledged.

UK opposition members sacked: Britain's opposition Labour leader Tony Blair sacked his party's overseas aid spokeswoman Ann Clwyd and foreign affairs spokesman Jim Cousins for travelling to Turkey and northern Iraq without his permission. Their absence meant they missed two important votes in parliament. Page 9

Gas pollution move: Plans for big cuts in emissions of "greenhouse" gases have been put to the UN conference on climate change in Berlin. The proposal comes from 46 members of the G77 group of developing countries. Page 7

Volvo: The Swedish motor group is selling its remaining food operations to Norwegian consumer products and chemicals group Orkla for SKr4.25bn ($576.6m). They are also merging their drinks businesses to create a company in which Volvo will have a 55 per cent stake valued at SKr4.55bn. Page 23; Lex, 22

Nato asked to monitor Bihac: UN peacekeepers asked for Nato reconnaissance flights around Bihac as Bosnian Serbs continued to shell the "safe area" of north west Bosnia. Page 2

Gulf Air cancels order: Gulf Air, jointly owned by Bahrain, Qatar, Oman and the United Arab Emirates state of Abu Dhabi, is cancelling an order for six new Boeing 777s after deciding it had enough airliners.

Explosion suspected in Romanian crash: An explosion may have caused last week's Romanian Airbus crash which killed 60 people, accident investigators said. The French Embassy in Bucharest said it had received an anonymous phone call claiming there was a bomb on board.

Many French still wavering: With three weeks to go until France's presidential election, 44 per cent of voters are still undecided, according to an SCP poll published in the daily InfoMatin. Chirac attacks Balladur, Page 2

Lawyer sees jailed Americans: An Iraqi lawyer spent eight hours with jailed Americans David Daliberti and William Barloon in Baghdad to gather information for their appeal. They were sentenced last month to eight years in prison for illegally entering Iraq from Kuwait.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,165.99	(+8.30)
NASDAQ Composite	814.21	(-3.01)
Europe and Far East		
CAC40	1,864.00	(+4.52)
DAX	1,990.82	(+8.23)
FT-SE 100	3,143.1	(+5.2)
Nikkei	15,381.2	(-758.66)

US LUNCHTIME RATES

Federal Funds	6⅛%
3-mth Treas Bills: Yld	5.855%
Long Bond	102⅝
Yield	7.387%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(6¾%)
UK: 10 yr Gilt	100⅞	(99⅞)
France: 10 yr OAT	97.79	(97.15)
Germany: 10 yr Bund	101.87	(101.20)
Japan: 10 yr JGB	108.541	(107.205)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.34	(17.425)

GOLD

New York: Comex		
May	$393.8	(394.3)
London:		
close	$391.98	(391.75)

DOLLAR

New York: lunchtime		
£	1.61675	
DM	1.3725	
FFr	4.8145	
SFr	1.1237	
Y	86.225	
London:		
£	1.6169	(1.6288)
DM	1.3723	(1.3685)
FFr	4.8165	(4.795)
SFr	1.123	(1.126)
Y	86.19	(86.4)

STERLING

DM	2.2187	(2.229)
Tokyo close	Y 87.00	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	EKr20	Jordan	JD1.50	Poland	Zl42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500		
France	FFr10.00	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

Intervention by US Fed and Bank of Japan fails to boost currency

Dollar hits low despite action

By Philip Gawith in London and George Graham in Washington

Intensive efforts by US and Japanese officials to halt the dollar's recent decline yesterday failed to prevent the currency falling to a record low against the yen.

Repeated bouts of dollar-buying by the Federal Reserve and the Bank of Japan failed to boost the currency.

Efforts to talk up the dollar by Mr Robert Rubin, the US Treasury secretary, and Mr Masayoshi Takemura, the Japanese finance minister, also had negligible impact.

At lunchtime in New York, the dollar was trading at DM1.3737 and Y86.28, having earlier touched a new low of Y86.00.

Traders estimated that the Fed and the Bank of Japan together bought a substantial amount of dollars – around $2bn to $3bn. *There was no evidence of any* support for the dollar from European central banks.

Fears that the yen's renewed strength would erode the earnings of Japan's export-dependent manufacturers hit the Tokyo stock market yesterday, with the Nikkei average sliding 758.66 points or 4.7 per cent to 15,381.29, a 32-month low.

The dollar's latest bout of weakness can be traced to disappointment in the market that the US, Japan and Germany failed last week to co-ordinate moves to support the dollar.

The Bundesbank cut its discount rate by half a point on Thursday, but Japan cut only its overnight lending rate and left the more important discount rate untouched.

Meanwhile, a policy meeting of the Federal Reserve in Washington produced no rate rise.

This was taken as a signal that the authorities were not concerned about the level of the dollar. In an attempt to change these perceptions, the US administration has stepped up its support for the dollar.

Mr Rubin and Mr Larry Summers, his deputy, have been more resolute in their defence of the dollar over the past week.

And yesterday evening they were joined by President Bill Clinton.

Mr Mike McCurry, White House spokesman, said Mr Clinton had been briefed on the action by the Fed.

"The president ... believes the strong dollar is in the interest of the United States of America," he said.

In another comment, Mr Rubin said: "We remain committed to strengthening the fundamentals that are ultimately important to maintaining a strong and stable currency."

However, the statements in favour of a strong dollar lack credibility in the eyes of investors.

This is because of the impression created during the Clinton administration's first months in office that it saw a weaker currency as one way of reducing the US trade deficit.

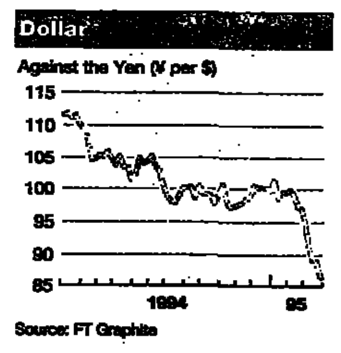
"It's almost like it has turned into a rubber stamp. The market is becoming a little cynical about the stock comment [about wanting a stronger dollar] from administration officials," said Mr Elliott Dix, senior market analyst at currency dealers Ruesch International.

Since Mr Rubin took over at the Treasury in January from Mr Lloyd Bentsen, traders have been wondering whether the former head of currency trading at the Wall Street firm Goldman Sachs would bring a different style to the management of the dollar. But dealers believe Mr Rubin has little faith in the administration's ability to push against the market's flow.

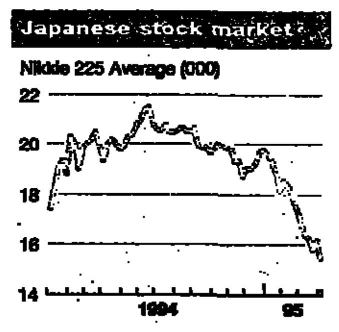
Mr Dix said the dollar was most likely to rebound if the Fed raised interest rates again. "We lost an opportunity last week when the Bundesbank was willing to cut, but we weren't willing to raise," he said.

Bad news: passers-by look at a Tokyo bulletin board showing stock prices yesterday. The Nikkei average slid 758.66 or 4.7 per cent to 15,381.29, a 32-month low

Picture: Reuters



Source: FT Graphite



Source: FT Graphite

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Troubling trajectory ...Page 21

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Barings head and deputy resign over loss

By Nicholas Denton, John Gapper and Jimmy Burns

Mr Peter Baring and Mr Andrew Tuckey, chairman and deputy chairman respectively of the merchant banking group Barings, yesterday became the first senior executives to resign in the wake of its collapse.

In a joint statement, they said their resignations had been "available to ING [Internationale Nederlanden Group, the Dutch bank that acquired Barings' operations for £660m] as a matter of principle for some time" but they had stayed on to "share in the task of restoring the stability" of the group.

Mr Baring is leaving a business *his family built up over 230* years. It collapsed from derivatives losses built up by the former trader Mr Nick Leeson only months before Mr Tuckey – who will remain a "senior adviser" to Barings' corporate finance business – was due to succeed Mr Baring as chairman.

Meanwhile, a preliminary investigation by the Serious Fraud Office into the Barings collapse has concluded that Mr Leeson was acting alone and was not part of a criminal conspiracy.

Neither Mr Baring nor Mr Tuckey is thought to have received compensation for standing down or to have received bonuses for 1994. Both were on three-month contracts. Formally, they had remained chairman and deputy chairman of Barings plc, the former holding company, which is in administration and which ING did not buy.

ING appointed both men to the liaison committee it formed to co-ordinate management of the three Barings businesses. Mr Tuckey became co-chairman of Baring Brothers, the merchant banking arm.

The timing of their resignations was a surprise, since ING declined an offer to resign made by Mr Baring shortly after its takeover a month ago.

ING said Mr Michael Miles, the former joint deputy chairman of

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Conspiracy ruled out, Page 8
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Baby Bell may breach US telecom barrier

By George Graham in Washington

The first significant breach in the wall between provision of US local and long distance telephone services could be opened as early as next January if a federal judge agrees to an experiment announced yesterday by the Justice Department.

Mrs Anne Bingaman, assistant attorney general for antitrust, said she had asked Judge Harold Greene to allow one of the local telephone giants he created in 1984 to offer long distance service for the first time. Judge Greene's landmark order broke up the old AT&T telephone monopoly and has governed the US telecommunications industry ever since.

Ameritech, one of the seven so-called Baby Bells created out of the former AT&T, is limited, by the judge's original judgment, to providing local services in the Midwest region of the US.

But, under a deal signed yesterday, it would be allowed to offer long distance service, including international calls, on an experimental basis in the cities of Chicago in Illinois and Grand Rapids, in Michigan. This would happen once the Justice Department was convinced the company had opened its local telephone monopoly to competitors.

If Judge Greene approves the deal, Ameritech would have to show that it had "unbundled" the different parts of its local service to allow competitors to hook up to its network. Consumers would be able to keep the same telephone number if they switched to another local telephone supplier.

Some of the Baby Bells have criticised Ameritech for agreeing to a restrictive framework. Others suggest the exercise will be irrelevant if Congress passes a telecommunications bill now being debated in the Senate, which would break down barriers between local and long distance telephone companies, cable television suppliers and utilities.

But Mr Richard Notebaert, Ameritech's chairman and chief executive officer, said his company was simply recognising the realities of a marketplace that has already evolved. Rulings by local communications commissioners meant Ameritech already faced local competition in Chicago and Grand Rapids, he said.

Mr Robert Allen, chairman of AT&T, the long distance component of the former monopoly, backed the experiment but said it was not an adequate model for nationwide telecoms reform.

Mr Notebaert said he hoped Ameritech would be in long distance by next January, but Mr Allen said he did not expect the necessary conditions to be met before the end of 1996.

Boeing teams with Russia to launch satellites by sea

By Karen Fossli in Oslo and Bernard Gray in London

A consortium of Boeing, the US aerospace company, Norwegian shipbuilder Kvaerner, and the Russian and Ukrainian rocket builders RSC-Energia and NPO-Yuzhoye, is planning to build a sea-based rocket launch centre for commercial satellites.

Total investment in the project will be between $100m and $150m and work has started while some outstanding details are finalised. The venture is called Sea Launch and Boeing estimates the first launch will be completed within two years.

The consortium aims to compete head-on with Ariane, the French space company, for heavy satellite launches. "We will aim to beat Ariane on price," said Mr Elliot Pulham, of Boeing.

Ariane has just under half the $2bn-a-year market for satellite launches. It dominates the launches of heavy payloads of up to 13,000 lbs. Sea Launch rockets will be launched from a converted self-propelled oil rig, with the operation controlled from a 25,000-tonne command ship. The ship will also be used to assemble the rockets.

Both the rig and the ship will be based in a Californian port and will be moved to offshore sites for lift-off.

To launch the important geostationary communications satellites, which appear to hover over a stationary point on the equator, the ships will sail from California to the equator to gain maximum benefit from the rotation of the earth at that point.

Using the slingshot of the earth at its widest point will increase the size of satellite the rocket booster can carry to the high orbits used by communications satellites.

Boeing will provide the cargo hold and management of the project, with Kvaerner building the ship and converting the oil rig. Energia and Yuzhoye will provide the rocket stages from existing designs.

Kvaerner says the use of a floating platform allows rockets to be fired in any direction, so that they can be put into any desired orbit. Currently, a rocket launched in the US has to be fired from Florida if it is to orbit the equator, or from California if it is to orbit the poles.

"We do not have to maintain facilities at two sites," said Mr Pulham, "and, using the platform, we do not have to convert existing facilities to our rockets."

Kvaerner will be responsible for operating the ocean-going launch platform and is negotiating to buy an existing, self-propelled oil drilling platform.

Such sea-launched platforms have been suggested before because of the difficulty of finding suitable land sites on the equator. However, no sea-launched system has come as far as the current consortium.

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EUROPEAN NEWS DIGEST

Blast fear after Airbus crash

Romanian officials investigating the cause of an air crash last Friday which claimed 60 lives said yesterday that an explosion aboard the Airbus 310 might have caused the accident. Forensic and technical experts investigating the crash, the country's worst aviation accident, said separately that evidence suggested the Airbus exploded before it hit the ground. An investigation team, aided by international experts, began decoding the airliner's "black box" voice recorder on Sunday and is to due to report officially on the accident's causes by today.

The Brussels-bound jet, operated by Tarom, the Romanian state carrier, crashed minutes after taking off from Bucharest's Otopeni airport in poor weather conditions on Friday morning. There were no survivors. Investigators have not ruled out the possibility that a bomb caused the accident. The French embassy in Bucharest said yesterday it had received a call on Saturday from a French-speaking man claiming he had placed a bomb on the aircraft. In Brussels, police said they were examining a note claiming "the hand of Allah" brought down the plane. Romania has been hit by a spate of bomb hoaxes since a bomb went off in the north last month. A Tarom flight from Bucharest to Paris was forced to land in western Romania yesterday after an anonymous caller reported a bomb on board. On Friday the capital's domestic airport was closed, after a bomb scare. *Virginia Marsh, Budapest*

Fish talks 'close to deal'

European Union and Canadian officials resumed talks yesterday in an attempt to reach a deal on fishing rights in contested grounds off Newfoundland. The two sides have been at loggerheads over the allocation of a quota for Greenland halibut, also known as turbot, and monitoring of trawlers operating outside Canada's 200-nautical-mile jurisdiction.

"We are close to a deal and the talks are making progress but we are still not there," an EU official said. A Canadian official said "broad agreement" had been reached on the important issues. "For Canada this has been conservation and the necessary enforcement measures."

The most contentious issues have been allocation of a 27,000 quota set by the Northwest Atlantic Fisheries Organisation, use of inspectors on all fishing vessels and Canada's right to police fishing in waters outside its jurisdiction. The EU official said the two sides were close to agreement on all three issues. But the quota allocation was proving hardest to resolve mainly due to disagreement over how much EU trawlers have already netted this year. *Caroline Southey, Brussels*

Russian HIV test for foreigners

Mr Boris Yeltsin, Russia's president, has approved a law requiring all foreigners who plan to live in Russia for more than three months to produce a certificate proving they are free of HIV, the virus which can lead to Aids. The law, which will take effect from August 1, has incensed Aids activists and medical specialists who claim it is discriminatory and counter-productive. But the law is not as stringent as an earlier draft which proposed that even tourists should prove they were HIV free before entering the country. The tourist industry protested that this would be impractical given that 5m foreigners visit Russia a year.

Foreigners found to be HIV-positive will be deported. Russians in certain professions will also be required to undergo tests. According to a local health association, 863 people in Russia were registered as HIV-positive between 1987 and 1994, of whom 111 developed and died of Aids. *John Thornhill, Moscow*

Crimea silent over decree

Local leaders on the Crimean peninsula yesterday appeared resigned to Ukraine's assertion at the weekend of sovereignty over the autonomous republic. The parliament called President Leonid Kuchma's unilateral move to put the local government under his control "unconstitutional", but the assembly did not call a threatened referendum on independence or declare the Saturday decree void. Mr Kuchma's decree also reinstated Mr Anatoly Franchuk, the previous prime minister. Mr Franchuk is a Kuchma ally who lost a vote of confidence in the regional parliament two weeks ago.

The latest decree, which comes two weeks after Kiev launched a bloodless crackdown by annulling the 1992 constitution and unseating the secessionist regional president, aims to quash any lingering hope among Crimea's predominantly Russian population of a reunion with Russia. The Kuchma decree said the new powers were intended "to secure control over all spheres of life in the Crimean republic" until a new, presumably weak, regional constitution was approved, maybe by next month. *Matthew Kaminski, Kiev*

Italian magistrate steps down

Mr Antonio Di Pietro, Italy's best known investigative magistrate who was instrumental in breaking some of the most important corruption scandals, formally left the judicial procession yesterday. With his characteristic sense of theatre, the Milan-based magistrate made the announcement at a conference discussing ways to tackle the problems of corruption in Italy.

He first revealed he was stepping down as a magistrate last December but has since been playing a guessing game with the media and political parties over whether or not the gesture was final. He has consistently denied he will enter politics, the latest denial coming only last week. But his popularity is such that he is being wooed by a number of political parties and every commentator takes it for granted that sooner or later he will chance his arm in the political arena. He has even been talked of as a possible candidate to head Mr Silvio Berlusconi's right-wing alliance. Since January he has been teaching law part-time at a private Brescia university. *Robert Graham, Rome*

US defence secretary William Perry raises his glass in a toast to his Russian counterpart, General Pavel Grachev, in Moscow yesterday EPA

Mr Nyet tests patience of the west

Bruce Clark and **Chrystia Freeland** on the thinking behind the Russian leadership's return to a more belligerent foreign policy

Boris Yeltsin's Russia may have accepted western capitalism as the best way to run an economy but in foreign policy the new Russia is bearing a growing resemblance to the old Mr Nyet.

During a visit by Mr William Perry, US secretary of defence, to Moscow yesterday, Russia delivered a rejection of two western overtures in tones more evocative of Soviet diplomacy than the new era in which the Russian prime minister is on friendly terms with the managing director of the International Monetary Fund.

In addition to rebuffing Washington's most recent bid to persuade Russia to cancel a planned sale of nuclear reactors to Iran, Moscow added two new threats to its long-standing opposition to Nato's expansion to include east European countries.

Mr Vladimir Shumeiko, chairman of the upper house of parliament, was quoted by a Russian news agency as telling Mr Perry that friction between Russia and the west over Nato expansion was likely to prevent the legislature from ratifying the Start-2 strategic arms reduction treaty.

Along with this warning came the threat from Gen Pavel Grachev, Russian defence minister, that "countermeasures would be taken" if Nato expanded eastward too quickly. He specified that the 1990 Conventional Forces in Europe (CFE) treaty, which limits the numbers of troops and weapons in Europe, could become the hostage of Russia's discontent with Nato.

If Nato expanded more swiftly than Moscow would like, Gen Grachev said, "we would not abide by the CFE treaty". He added, without elaborating, that Russia might set up new "military groups" and intensify co-operation with the former Soviet republics.

Even before Gen Grachev's statement, Russian officials had been warning that they saw no prospect of the CFE treaty being implemented in its current form, which calls for deep cuts in tanks, aircraft and artillery by late 1995. They want an increase in the amount of armour Moscow is allowed to keep in north-western and south-western Russia as a minimum price for the treaty continuing to hold force.

Ironically, the Chechen war, which many analysts had initially predicted would harden the west's attitude to Russia, formed part of Gen Grachev's justification for Moscow's tougher new stance. "We need more heavy armour in the Caucasus," he said. "And the Chechen experience proves this again."

A more fundamental Russian argument against the existing CFE treaty is that it was concluded between two blocs – Nato and the Warsaw Pact – of which the latter has ceased to exist.

The prospect of a new CFE treaty was raised in a Russian paper submitted at the end of last week to a meeting in Prague of top officials from the 53-nation Organisation for Security and Co-operation in Europe (OSCE). The Russian document called for talks on "how to adapt and supplement, in conformity with the realities of a new Europe, the existing treaty basis, through the elaboration of a new, non-bloc based, full-scale agreement, the CFE-2..."

But behind the Russian calls to revise the CFE arrangements lurks Moscow's more radical effort to supplant Nato, an alliance which Russia realises it is unlikely to penetrate on its own terms, with a potentially more malleable body, the OSCE.

Russian officials are sticking by their idea of upgrading the OSCE, even though OSCE inspectors have reported clear violations of the organisation's rules by Moscow's forces – as well as the rebel side – in the Chechen war.

The Russian document submitted to the Prague meeting touches on this Russian goal with its call for negotiations on "co-ordination and interaction between the OSCE and other European institutions".

In other submissions to the Prague talks, Russian diplomats called for the OSCE to be endowed with greater legal authority and a "executive committee" to take significant decisions.

This amounts to a softer version of the ideas that Russia unsuccessfully floated last year, under which Nato would have been subordinated to the OSCE in a new hierarchy of European security clubs.

The western response to Russia's increasingly muscular foreign policy stance has been oddly flat-footed. Pressed by reporters to state one loss which Russia has sustained in connection with its brutal military intervention in Chechnya, the best Mr Perry could offer was that "we have been unhappy and expressed our unhappiness".

But he insisted that the Clinton administration continued to "believe fundamentally in the importance of engagement" with Russia. Part of that belief rests on the west's fear that, if the Yeltsin government is to be replaced, it will only be by rulers even more hostile towards the west.

Russia's current leaders know this, and they are now beginning to explore how far they can push their western partners while remaining more appealing than the nationalist and communist politicians waiting in the wings.

Italy to act on public works contracts

By Robert Graham in Rome

The government of Mr Lamberto Dini has introduced legislation to streamline the confused and opaque world of Italy's public works contracts, which have been a significant source of corruption.

The net effect of the series of measures would be to bring Italian practices into line with those in other European Union countries, with greater transparency, more competition and more independent control over both costs and quality.

The timing of the move has been forced because temporary measures introduced by the previous Berlusconi government last May lapsed last week. Indeed, the cabinet was obliged to meet in special session on Sunday to prevent a vacuum occuring.

When Italy's corruption scandals first broke in early 1992, public works contracts came in for scrutiny from investigative magistrates. This had two important consequences.

The first was a call for a thorough clean-up of the bidding and contract awarding process to prevent contractors and politicians rigging the outcome. In many cases it transpired costs were 20 per cent above the real price to ensure kick-backs.

The second consequence was a near total freeze on the award of new public works contracts. Government departments and local administrations were afraid to fall foul of the magistrates and awaited new legislation. This was prepared under the Amato and Ciampi governments by the then minister of public works and became known as the Merloni law.

However, one of the first acts by the government of Mr Silvio Berlusconi last May was to suspend the law on the grounds that projects were being held up and job creation was suffering. The move was heavily criticised by the opposition who claimed this would permit corruption to resurface. But last year the value of public works contracts increased 20 per cent to L16,000bn ($9.4bn).

Mr Paolo Baratta, the public works minister, has incorporated a good deal of the Merloni law (nine out of the 17 articles are borrowed). But unlike the Merloni law, which sought to exclude companies involved in corruption, the new measures seek to distinguish between corrupt management and the companies themselves. This will ensure a company is not always penalised for the improper activities of management.

One of the main innovations is to prevent companies being involved in both the drawing up of bids and the bidding for contracts. Mr Baratta has also decided to replace the Merloni law's plan for a specially constituted authority to monitor contracts with a more limited commission to watch contracts over Ecu5m ($6.6m) with a specific emphasis on quality.

Chirac attacks 'power-hungry' Balladur

By John Ridding in Paris

Mr Jacques Chirac, seeking to buttress his lead in the race for the French presidency, yesterday struck out at Mr Edouard Balladur, his Gaullist rival, accusing him of amassing too much power in the economy and in the media.

The mayor of Paris, who has seen a commanding lead narrow in the latest opinion polls for the April/May election, accused the prime minister of creating a "Balladur state". In an interview with France-Inter radio, he claimed there had been "an extraordinary seizure over the past two years of economic and media activities".

The comments were the latest shots in a broadside of criticism between the two Gaullist rivals to succeed President François Mitterrand. They reflect Mr Chirac's attempt to portray Mr Balladur as a premier with "monarchic tendencies", compared with his own, more populist, style.

Mr Chirac rejected claims that he would seek to consolidate his own power base through dissolving the national assembly, dominated since 1993 by the centre-right RPR-UDF coalition. "Dissolution is a means to resolve a political crisis without a solution. A president who dissolves it while he has a majority is abusing his power."

Supporters of Mr Balladur, encouraged by a slight recovery in his poll standing, condemned Mr Chirac for attacking the policies of a government he has supported for two years. But Mr Charles Pasqua, the powerful interior minister and a Balladur ally, sought to calm the row.

Speaking on the campaign trail in Verdun, he warned of the dangers of "exacerbating antagonism" within the Gaullist movement. His comments are likely to fuel speculation that Mr Pasqua is trying to prevent exclusion from office should Mr Chirac triumph.

Aides to the prime minister claimed that the high level of undecided voters increased the chances of avoiding such an outcome. A survey published yesterday in Infomatin, the daily newspaper, said that up to 44 per cent of voters had still to make up their mind with just three weeks left before polling in the first round of the election.

A poll published on Sunday said a third of voters were undecided, and showed that Mr Chirac had lost 2.5 percentage points to stand at 24.5 per cent, compared with 20.5 per cent for Mr Balladur.

Mr Lionel Jospin, the Socialist candidate who retains a slight edge over Mr Balladur with 22 per cent in the latest poll, was rebuffed yesterday by the Communist party. Mr Robert Hue, the Communist candidate, ruled out the possibility that party members could serve as ministers in the event of a Socialist victory. Mr Jospin had raised the possibility in a weekend interview.

Culture ministers leave EU TV policy in doubt

By Emma Tucker in Luxembourg

The future of European Union policy on broadcasting remained clouded in uncertainty last night after culture ministers from the 15 member states ducked a chance to debate sensitive new proposals aimed at tightening restrictions on Europe's television channels.

At a meeting in Luxembourg the ministers brushed over a draft European Commission document that proposes strengthening quotas for the amount of European Union-made programmes screened and phasing them out over 10 years. Officially the reason was the document was not ready, but a more likely explanation was that France – chairing the meeting – wanted to postpone the debate until after the French presidential election.

In addition the ministers gave a mixed welcome to the idea of an EU-wide guarantee fund to underwrite European film and television productions. The idea for a guarantee fund stems from the difficulty European film-producers face in raising capital in a high-risk business.

Mr Marceline Oreja, the commissioner responsible for audio-visual affairs, told ministers that a Ecu200m (£166m) fund, for example, would generate Ecu1bn for investment. He was asked by ministers to prepare a written document for consideration, although Germany and the UK expressed opposition to any such plan.

The ministers supported doubling to Ecu400m funding for the Media-2 programme which finances production, training and distribution.

While the official debate on television quotas was postponed, ministers and officials suggested the deadlock on how to revise the 1989 "television with frontiers" directive was no nearer to being broken.

French officials argued the debate was going their way and the reason for delaying a debate until June was to prevent countries taking entrenched positions at an early stage on an "ill-prepared document".

France has been at the forefront of moves to impose a stricter regime on European broadcasters to ensure they screen a majority of EU-made programmes, thereby protecting European culture from American imports.

But following a meeting in Bordeaux in February it became clear that most member states opposed a rigid system of quotas.

The Commission subsequently revised initial proposals which envisaged a phasing out of quotas – currently 51 per cent – over 10 years. However they also proposed scrapping a legal loop-hole that has allowed certain European channels to ignore the law on quotas - namely that they only apply "wherever practicable".

In addition, Mr Oreja's proposals offer thematic channels – such as cartoon or specialist movie channels – the opportunity to invest 25 per cent of their production budget in European-made films and programmes, rather than comply with the quotas.

Officials from the countries that oppose tightening quotas – the UK, Sweden, the Netherlands, Denmark, Germany, Austria and Luxembourg – said France put off a discussion as it only had the support of Belgium, Greece, Ireland and the European parliament.

The ministers will meet again at the end of June to discuss the Commission proposal.

Tough medicine is business prescription for France

John Ridding reports on the boardroom hopes riding on the presidential election

FRENCH ELECTIONS April 23/May 7

Viewed from the boardrooms of France, the looming presidential elections are regarded with expectancy and a dash of unease. The changing of the guard at the Elysée palace, and the probable end of a period of cohabitation between a Socialist president and a centre-right government, provide the opportunity to tackle vital reforms. In particular, business leaders are seeking a reduction in payroll taxes which support the national welfare system and which weigh heavily on companies' costs.

But the contest to succeed President François Mitterrand has also brought risks. The campaign, coinciding with recovery from the recession of 1992-93, has fuelled demands for increased salaries. It has put workers on the picket line and pay at the centre of the political agenda. "The situation has deteriorated," says the chairman of a Lyons company.

Such deterioration has been largely confined to the public sector. The Renault motor group, Air Inter, the domestic airline, and the national railway network have been among those affected. But private sector companies have faced demands for increased wages after several years of restraint. A dispute at the ski manufacturer Rossignol is one example where management has been forced to increase its pay offer to end a strike.

For the moment, such disruption and the pay demands remain relatively limited. But trade unions are seeking to seize the initiative. "Further actions will be taken," says Mr Marc Blondel, general secretary of Force Ouvrière and a strong advocate of a general rise in salaries.

More seriously, the disputes have cornered the candidates for the Elysée, forcing expressions of support for wage increases. Even Mr Edouard Balladur, the conservative prime minister, has changed tack. "There is certainly room to resume raising wages," he said last week after Renault had offered a 4.5 per cent pay increase, more than double the expected rate of inflation.

Within the ranks of industrialists, the push for higher wages has prompted rifts. For Mr Jean Gandois, head of the Patronat employers' federation, increases should be decided case by case. But he accepted last week that companies which report rising profits and which reject pay rises risk "provoking" employees.

For some businessmen, this was itself provocative. Mr Louis Schweitzer, the chairman of Renault and who last week announced a trebling in profits, rejected the link between improved company and employee earnings, arguing that each company's pay policy must be dictated by longer term prospects.

The head of one engineering group expressed a broader concern. "Encouraging wage rises risks opening a Pandora's box," he says. "It creates the risk of inflationary pressures and of blunting the competitiveness we have struggled to establish."

An equally significant struggle lies in the issue of payroll taxes. Such charges, which cover health, pensions, and other welfare costs, are often between 40 and 50 per cent of the basic salary. "We hold the world record for social charges," says one senior Patronat official.

For the Patronat, as for individual company bosses, the lowering of such charges and the country's welfare deficits is a priority for the next president. "These charges represent the essential of our handicap compared with rival economies," says Mr Gandois.

All three principal candidates, Mr Jacques Chirac, the Gaullist mayor of Paris, Mr Balladur, and Mr Lionel Jospin, the Socialist hopeful, have said they will cut charges. The big question is how far and how fast they move. "None of them has spelled out how he will pay for the reduction in revenues," says one company chairman.

Like his counterparts at other business groups, he declines to endorse publicly any of the candidates. So too, does the Patronat. "We will be neutral," says Mr Gandois.

With respect to Messrs Balladur and Chirac, the principal difference is seen as style rather than substance, although the prime minister is credited with a stronger commitment to budget cutting and anti-inflationary policies. Style, however, is regarded as important. "Mr Chirac has been broadening his support base, seeking to portray a populist image," says one company director. "That is important. We need agreement on reforms. We must avoid a widening social fracture."

Some of the proposals put forward by Mr Jospin have drawn a frosty response. In particular, his plan to reduce the working week from 39 hours to 37 hours by 1997 without pay cuts prompts an angry reaction from many industrialists. "It would be a further shackle in our attempt to compete," says an executive at one electronics company, in a widely held view.

On other issues, however, there are divergences. These extend to debate on European monetary union and the rigorous policies necessary to get there. Mr Noel Goutard, chairman of Valeo, the motor components group, argues that the tight monetary stance aimed at keeping the French franc tied to the D-Mark has brought damage. "There are very high social costs. The price in terms of unemployment is too great," he says, referring to the 12.3 per cent of the workforce without a job.

But most business leaders seem in favour of the move towards a single currency. "We need the stability in exchange rates," says Mr Jean-René Fourtou, chairman of Rhône Poulenc. He believes that the discipline imposed by the anti-inflationary policies of successive governments has helped restore the competitiveness of French industry. This competitiveness is reflected in a resurgence in exports and a record trade surplus of FFr87bn (£11bn) last year.

Whether the edge of French industry can remain sharp into the next millennium will depend, at least partly, on the next incumbent of the Elysée. "Our main concern is that they are not fully aware of the tough action they will need to take on the welfare system," says one executive. "Now they re trying to please everyone with talk of pay increases, budget cuts and lower charges. But they must make tough choices after May."

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

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NEWS: EUROPE

UN calls for Nato help as Bihac hit

By Laura Silber in Belgrade

United Nations peacekeepers yesterday requested Nato reconnaissance flights and called on Bosnian Serbs to halt their shelling of Bihac, the Moslem enclave and "safe area" in north-west Bosnia.

An upsurge in fighting yesterday could signal the start of a Serb counter-offensive following a fortnight of attacks by Bosnian government forces on Serb positions in north-eastern and central Bosnia.

Mr Radovan Karadzic, Bosnian Serb leader, threatened last week to launch a counter-offensive unless the international community warned Bosnian forces to halt their attacks.

Five shells yesterday slammed into Bihac town, with one shell falling 30 metres from a UN patrol. A Dutch military observer and a local UN interpreter were slightly wounded.

About 12 artillery rounds fell in Bihac on Sunday, a UN spokesman in Zagreb said. He added that initial reports indicated the shelling east and south-east of Bihac came from Serb positions.

Mr Alexander Ivanko, UN spokesman in Sarajevo, said the UN yesterday protested to the Bosnian Serb leadership about the shelling of the town, one of six UN-protected safe areas in Bosnia. He said Nato was asked to conduct reconnaissance flights to locate Serb weapons firing on the safe area.

Bosnian radio reported an upsurge of fighting near a key communications tower at Mt Majevica, in the north-east. The UN also reported firefights between Serb forces and the mostly Moslem Bosnian army north of Travnik and near Bugojno in central Bosnia.

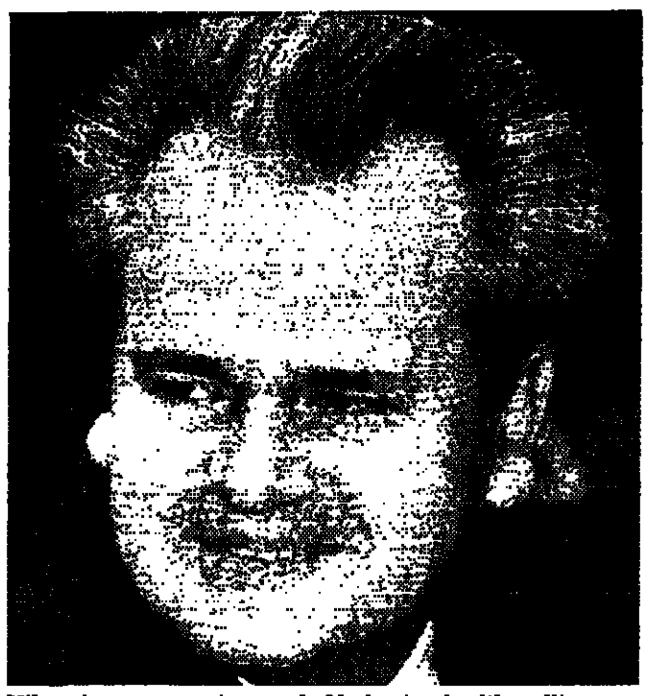
Fighting continued in the northern part of the Bihac pocket, in a joint offensive against government forces by Serb forces from neighbouring Croatia and rebel Moslems loyal to Mr Fikret Abdic, a maverick who is believed to be supported by Belgrade.

Temperatures rose yesterday, increasing fears that clashes would escalate. "The snow was so severe last week that presumably both sides have a lot of vehicles, weaponry and infantry in the wrong place," said Mr Michael Williams, a UN spokesman in Zagreb, adding that he feared an surge in fighting over the next few days.

The leaders of both sides have indicated they have used the three-month-old truce, the most successful since conflict erupted three years ago, to prepare for more fighting. The Bosnian government has refused to renew the agreement when it expires on April 30, on the grounds that it would cement Serb military gains. Serb forces currently hold 70 per cent of Bosnia.

Serb economic policy 'is no more than a survival plan'

John McKay on warnings of a lack of post-sanctions policy



Milosevic: government accused of losing touch with reality

While Serbia hopes for the lifting of United Nations-imposed sanctions, independent economists warn that the government is taking no credible measures to prepare the country for re-emergence into the world economy.

Current policies, they say, amount to little more than a sanctions survival plan.

"The government's economic policies are not credible," said Professor Pavle Petrovic, a senior lecturer at the University of Belgrade. "If sanctions were to end tomorrow it would take four years of drastic economic reforms, fiscal discipline and high levels of investment in the form of international loans to get industrial capacity back to 60 per cent of previous levels."

The intensifying conflict in Bosnia and rising tensions in Serb-ruled areas of Croatia have added to a mood of pessimism among pro-reform economists in Belgrade.

Statistics gathered at Belgrade's Institute of Economic Sciences and a private consultancy, the Centre for Economic Studies, show that living standards and economic development have plunged to the levels of the late 1960s.

Just over a quarter of industrial capacity is being used and industrial production has declined by 2 per cent in each of the past four months. More than a third of Serbs now live in poverty compared with 6.2 per cent in 1990. The public has long ago lost confidence in the banking system.

In January 1994, the government of Serbian president Slobodan Milosevic halted one of the world's biggest hyperinflations. The national mint stopped printing money and a new dinar was introduced, pegged on parity at one D-Mark. This brought temporary relief to the country which was already in perilous economic straits after only symbolic attempts at reform.

Serbian economists believe the respite from hyperinflation will be short-lived. Last week the dinar fell steeply on the black market. Rembering the nightmare of hyperinflation, Serbs were desperate to spend their money. Shops closed early to protect their stocks. The exchange rate on the streets soared to one D-Mark for 4.50 dinars in Belgrade. The next day it stabilised below its previous level of 2.5.

Some economists believe that, despite official denials, the government may be preparing a devaluation of the dinar, by as much as 50 per cent. They are convinced that such a move would be aimed at raising more hard currency from the population.

According to one researcher at the Institute of Economic Sciences, Mrs Aleksandra Posarac, the government has spent DM1bn in the past year just to enable it to circumvent sanctions. "This sum covers the paying of bribes, premiums on imports and discounts on exports," she said.

The smuggling of fuel has been so successful that the price of petrol, sold from bottles and cans by the roadside, has fallen to DM1.5 a litre from DM2.5 a litre last December.

One spectre hanging over economic life is the dominance in many sectors of organised crime – enriched by war-profiteering and sanctions-busting.

The government has done little to arrest the economic decline. Wage freezes and price controls are announced and abandoned almost immediately. Very basic liberalisation plans are drawn up but never followed through and public expenditure remains a state secret.

Mr Stojan Stamenkovic, an economist and former deputy director of ex-Yugoslavia's Federal Planning Bureau, and other pro-market economists believe the government has lost touch with economic reality, or it would be embarking on at least a minimal reform path to reintegrate into the world economy.

For the realities are harsh. "When sanctions are eventually lifted, the majority of Serbia's share of the old federation's debt, including accumulated interest, will have matured. This will amount to about $5bn-$7bn," said Mr Stamenkovic. To say nothing of damage claims against Belgrade by war-torn former Yugoslav republics.

"Here in Belgrade the policies are the opposite of what we need to get back into the International Monetary Fund and the World Trade Organisation," he said.

Central bank hard currency reserves are down to about $200m, the economists say, but point out that the bank does have an undisclosed amount of reserves held secretly abroad and in accounts frozen under sanctions.

To avert economic catastrophe and more social upheaval, "dissident" economists believe that if the right policies were put in place they would at least prepare the ground for life after sanctions, and could be viewed as a demonstration of peaceful intent.

They say the minimum monetary and fiscal measures required include: devaluation of the dinar by more than 100 per cent, while at the same time correcting enormous price distortions and imposing tough budget constraints at all levels.

"We were 20 years ahead of the former communist countries of the east bloc and it has all been thrown away," Mr Stamenkovic said. "They [the government] are not paying for this mess. We are, the population."

Second year of strong growth for E Europe

By Frances Williams in Geneva

Central and east European nations are well on course for a second year of sustained economic growth but output is still sliding in Russia and most other former Soviet republics, according to the United Nations Economic Commission for Europe.

The ECE's annual economic survey, published today, says gross domestic product in east Europe outside the former Soviet Union rose by just under 4 per cent last year, the first aggregate increase since the fall of communism in 1989. The recovery from the "transition" slump, which began with Poland in 1992, has now spread to virtually all countries in the region.

The Geneva-based ECE, which groups 55 nations in western and eastern Europe and North America, expects average GDP growth in most east European economies this year to be about 4 per cent. A notable exception is Hungary, where growth may sink close to zero.

By contrast, in Russia and other members of the Commonwealth of Independent States, the outlook remains grim. Russian GDP fell by 15 per cent last year and there were even bigger falls elsewhere in the CIS. A further drop in economic activity – of perhaps 9 per cent for Russia – is likely this year, the report says.

The ECE notes that in eastern Europe average output fell by more than 20 per cent between 1989 and 1993 and industrial production halved. Even if present growth rates are sustained, most countries in the region will not regain 1989 levels of output until about the turn of the century.

However, one encouraging sign is a pick-up in fixed investment, especially in machinery and equipment. This indicates that essential modernisation and restructuring is under way, especially in the leading group of reformers - Poland, Slovenia, the Czech Republic and Hungary.

Most of this investment is being financed by enterprises using retained profits and not, as was once expected, by foreign investment or bank lending.

Other positive developments in eastern Europe, although not in Russia and the CIS, include a marked slowdown in inflation and a halving of the aggregate current account deficit last year as exports jumped by twice the rise in imports.

More worryingly, the ECE expects unemployment – now 10-18 per cent of the labour force in most east European nations – to remain high, with insufficient jobs being created to absorb redundant workers and new entrants to the labour force.

Turkey defiant on Iraq pull-out

By Judy Dempsey in Bonn

Mr Erdal Inönü, Turkey's foreign minister, yesterday said Ankara would withdraw its troops from northern Iraq only when it had created a "security situation" which would prevent Kurdish militants from attacking Turkish territory. He gave no timetable for any withdrawal.

In a robust defence of Ankara's decision last month to send 35,000 troops into northern Iraq against Kurdish separatist guerrillas, Mr Inönü, speaking in Bonn on the first leg of a diplomatic offensive, said Turkey was simply defending itself.

"Our goal is... to take out PKK [Kurdistan Workers' party] arms depots and to create a security situation in which the PKK cannot attack our country from there. When we accomplish this objective, our soldiers will immediately return to Turkey."

Mr Klaus Kinkel, German foreign minister, who is under pressure from his coalition partners for taking a tough line last week against Ankara, sought to temper his remarks. Turkey should withdraw "if possible tomorrow", he said, adding that the longer troops remained in Iraq, the greater the strains would be between Bonn and Ankara.

Mr Kinkel also urged Ankara to find a political solution to the Kurdish problem, involving some form of cultural autonomy. But Mr Inönü refused to be drawn on this issue.

He said a political solution could not be found until democracy in Turkey was "more developed". This would take time and patience, he added.

Despite Mr Inönü's reluctance to give a timetable for withdrawal of troops, or any long-term proposals for resolving the Kurdish issue, Mr Kinkel said Germany would still support a customs union treaty between Turkey and the European Union.

However, he added that this had become "significantly more difficult".

US tax reformers look to Kemp

By Jurek Martin in Washington

The Republican leadership in Congress is to ask Mr Jack Kemp, the former housing minister, to head a new commission on economic growth and radical tax reform.

A joint announcement by Congressman Newt Gingrich, the Speaker, and Senator Robert Dole, the majority leader, was expected late yesterday. High on the commission's agenda, according to a Senate aide, would be the feasibility of introducing a flat rate for income tax in place of the current, complicated tax code.

Mr Kemp, who decided earlier this year not to seek the Republican presidential nomination, has a supply-side reputation antedating most of the current generation of tax reformers. When in Congress, he was a sponsor of the Kemp-Roth bill that was something of a guide for the tax reduction legislation of President Ronald Reagan's first term.

The Gingrich-Dole initiative comes at the start of a critical week for more immediate Republican tax-cutting plans – specifically the fate of the $189bn (£116bn) package promised in the Republican Contract with America and due to be voted on in the House of Representatives later this week.

In a series of weekend interviews the Speaker said it was important that the tax package be voted on so as to fulfil the Contract promise, but conceded that compromises might be necessary to satisfy Republicans who want to give greater priority to balancing the federal budget.

He told the Wall Street Journal that he was willing to make tax cuts contingent on passage later this summer of a detailed plan to balance the budget by 2002.

Mr Gingrich has already challenged President Bill Clinton to present his own seven-year budget plan before he leaves for Moscow in the second week of May. He also acknowledged that the president could veto any budget bill but warned that if he did so he was prepared to retaliate by blocking legislation raising the federal debt ceiling.

There is an outside chance that the tax bill will not come to a floor vote this week because of the objections of some Republicans that its centrepiece, the proposed $500-per-child tax credit, is too expensive and too biased to benefit the rich. Mr Gingrich admitted "we're still arguing" about the details.

In any event, changes are certain to be made when the bill reaches the Senate, where Senator Robert Packwood, the finance committee chairman, rarely lets a day go by without poking holes in the Contract plan.

The tax credit, he said over the weekend, was "probably the worst way to go to improve our economy". He also found it "hard to believe you could do $180-190bn in tax cuts and balance the budget".

Jack Kemp: expected to head a new economics commission

INTER-AMERICAN DEVELOPMENT BANK

Guarantees likely for private sector loans

By Stephen Fidler in Jerusalem

The Inter-American Development Bank is expected to be given the go-ahead soon to provide guarantees to borrowers from the private sector in Latin America.

The bank, which holds its annual meeting in Jerusalem tomorrow, has rarely used its powers to provide guarantees in its 40-year history, but now its management believes circumstances may warrant a more flexible approach than offered by traditional loan finance. The bank's board will be asked to approve a proposal on guarantees within the next few months.

Ms Nancy Birdsall, the bank's executive vice-president, said the guarantees may be provided either with or without a counter-guarantee from borrowing country governments. The aim would be to cover political but not commercial risks. For example, it might be appropriate to seek a government's counter-guarantee in case of a change in a government's regulatory policy that would jeopardise viability of a power station project.

For private sector guarantees the aim would be to cover no more than 25 per cent of an operation except in special circumstances, and no more than $70m (£43.7m). Capital would be set aside equivalent to the size of the guarantees and private sector guarantees would come out of the $350m a year the bank is able to provide direct to the private sector.

With a capital increase of $40bn agreed last year, the bank is able to provide $7bn a year in finance.

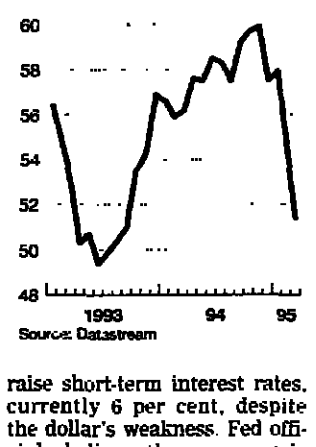
The capital increase brought the bank's capital to $100bn, making it the largest of the regional development banks. According to the bank's annual report, published today, the bank's lending fell to $5.3bn in 1994 from $6.0bn in 1993. The fall was attributed to the change in bank priorities that accompanied the capital increase. Ms Birdsall said 1995 lending would probably rise to between $6bn and $6.5bn.

Mr Charles Sethness, the bank's finance manager, said the bank's borrowing in international capital markets would rise to between $3bn and $4bn this year, from $955m in 1994.

Purchase data confirm signs of slowdown

By Michael Prowse in Washington

US purchasing managers' index



Source: Datastream

A sharp drop in the US purchasing managers' index last month and weak spending data for February were yesterday seen as confirming earlier figures pointing to a deceleration of economic growth in the first quarter.

The purchasing index – a widely followed guide to conditions in manufacturing industry – fell to 51.4 per cent against 54.5 per cent in February. Most economists had expected a smaller decline - to about 53.5 per cent. The index, however, remained above the 50 per cent level that marks the threshold for an expanding manufacturing sector.

In a separate report the Commerce Department said personal incomes rose 0.5 per cent between January and February, slightly more than economists expected. However, it revised down figures for January to show a gain of 0.7 per cent rather than the 0.9 per cent previously reported.

The report confirmed previous signs of a lull in consumer spending. Personal consumption rose only 0.1 per cent in February, the smallest gain since April last year. After allowing for inflation spending was down 0.1 per cent. However, data for January were revised up to show a gain of 0.7 per cent rather than 0.4 per cent as previously reported.

"The manufacturing sector's growth rate in March continued the declining trend which began in December," said Mr Ralph Kauffman, a senior executive at the purchasing managers' association. "The rates of increase of production, new orders and prices paid by manufacturers were all substantially less in March than in February," he said.

The weak indicators help to explain why the Federal Reserve last week opted not to raise short-term interest rates, currently 6 per cent, despite the dollar's weakness. Fed officials believe the economy is already decelerating in response to a three percentage point increase in rates in the year to February.

Many economists now predict economic growth at an annual rate of 2.5 per cent or less in the first quarter, against a revised annualised rate of 5.1 in the final period of last year. But economists disagree on whether the slowdown is temporary. Some forecasters, such as J P Morgan, the Manhattan bank, and the Conference Board, a New York business analysis group, predict a rebound in growth in the second half towards the 4 per cent registered last year.

Yesterday's data, however, threw little light on growth prospects. The production indices are usually lagging rather than leading indicators. The fall in the purchasing managers' index last month was probably a lagged response to weaker consumer and business demand in preceding months. Recent data, such as the weekly Johnson Redbook retail survey, point tentatively to revived consumer spending in March. If spending rebounds, the dip in manufacturing growth could be short-lived.

Nuclear wastes clean-up will cost at least $230bn

By Nancy Dunne in Washington

The US will have to spend at least $230bn over the next few decades to clean up the nuclear wastes created by the arms race and future production of nuclear weapons, an Energy Department report released yesterday, said.

If wastes and inefficiencies are not eliminated, costs could soar to $350bn for the clean-up of industrial facilities used for the research, production and testing of nuclear weapons.

Estimating the Cold War Mortgage is the first of a series of reports due out over the next few months as the Energy Department struggles to measure accurately the task ahead. The agency manages thousands of industrial structures, nuclear reactors, chemical processing buildings, metal machining plants, on 2.3m acres of land.

Most of the clean-up costs were deferred during the Cold War. Now the US will have to devote "substantial resources comparable to the level of effort expended for nuclear weapons production and research activities."

Even this will not return the land to its natural state. The remaining contamination from buried wastes will require a cordoning off of a number of sites. Of the 10,500 hazardous substance sites addressed in the report, one-fourth have been fully analysed.

"But major uncertainty stems from a lack of knowledge about what remedies will be effective or considered acceptable to regulators and the public, or what level of human health and environmental protection is sought through these remedies," the report says.

Mr Thomas Grumbly, a senior Energy Department official, said the $230bn estimate could be stretched over 75 years, including $149bn to deal with the Cold War legacy, $51bn for future wastes from nuclear weapons activities, and $30bn for past and future wastes from other research and commercial activities.

"What we found was that the future use of the land and facilities will largely determine if the cost is higher or lower. This estimate is a reasonable projection, given current technologies to stabilise but not completely scrub sites to 'green fields' status, not technically feasible in many cases."

Scientists still must grapple with the unknowns posed by the clean-up. There is, for example, "substantial uncertainty" about the longer-term effect of capping as a permanent solution to contamination.

The Hanford reservation in the state of Washington, for example, has dozens of buried tanks containing mixtures of radioactive and toxic materials. Scientists are still struggling to stabilise them.

Hanford also has nine closed reactors and decaying fuel rods which threaten to dump radiation into a nearby river.

The Administration has set up a funding target of $4.8bn a year in constant 1995 dollars until fiscal year 2000. But Congress may reduce this to cope with the budget deficit.

Mexico enables banks to refinance corporate debt

By Leslie Crawford in Mexico City

Mexico yesterday introduced a new financial instrument, Units of Investment (UDIs), to allow domestic banks to refinance more than $11bn of corporate debts which have fallen into arrears through a four-fold increase in nominal interest rates since devaluation of the peso in December.

Loans restructured in UDIs will index debt principal to inflation and carry real interest rates of up to 12 per cent, against nominal interest charges of more than 90 per cent at present. The reduction in interest charges is aimed at diminishing the risk of massive loan defaults, which had begun to jeopardise the solvency of commercial banks.

The banking sector was already burdened with an uncomfortable number of bad debts – 7.33 per cent of its total loan portfolio – before the collapse of the Mexican currency plunged the economy into recession. The new instrument will initially allow commercial banks to remove some 76bn pesos ($11.2bn) of problem loans – 16.4 per cent of total lending to the corporate sector – from their balance sheets.

Commercial banks will set up off-balance trusts to administer the UDI-denominated loans. Bankers say they plan to extend the scheme to refinance some 32.6bn pesos of mortgages, as they are aware that home owners cannot afford to meet the dramatic rise in nominal interest charges.

In addition to the loan restructuring scheme, the Bank of Mexico, the central bank, is also keeping the banking system afloat with big capital infusions from the government's Bank Savings Protection Fund. Seven financial groups, including Serfin, Mexico's third largest bank, on Friday reported difficulties in meeting the minimum 8 per cent capital adequacy ratio set by the bank.

Decline in capital for Latin America

By Stephen Fidler

The flow of capital into Latin America shrunk by more than a third from an estimated $64bn (£40bn) in 1993 to $42bn last year, the Inter-American Development Bank says today.

In its annual report, the bank says the main cause of the shrinkage was the sharp decline in flows to Mexico, which fell to $9bn last year from about $32bn in 1993.

Venezuela also suffered a large outflow - of $3.6bn compared to a $1.8bn inflow in 1993. Other countries experienced rising inflows: $36.9bn last year against $30.6bn in 1993.

The region's gross domestic product grew by 4.1 per cent last year, the highest growth rate since 1986 and compared with 3.4 per cent in 1993. Investment growth at 7.7 per cent exceeded consumption growth of about 3.9 per cent. Growth rates were not enough to lead to a reduction in unemployment, though unemployment increases were not large, except in Venezuela, where the rate rose to 13.5 per cent of the workforce from about 7 per cent.

The region's current account deficit was around $49bn last year, similar to 1993, the equivalent of about 4 per cent of gross domestic product. However, the deficit exceeded 5 per cent in almost half the countries of the region. The report said Latin America's exports grew by 4.1 per cent in volume and by 9 per cent in US dollar terms. Imports and interest payments on debt also grew.

The bank said Mexico's financial crisis illustrated "the complications for macroeconomic policy generated by large, volatile capital flows". In Mexico, the authorities, faced with a weak economy, "were unwilling to raise interest rates in the amount that would have ended the loss of [foreign exchange] reserves."

Tequila hangover brings gloom to IADB meeting

By Stephen Fidler

The gloomiest gathering in years of Latin American financiers formally gets under way today. The official business at the Inter-American Development Bank's annual meeting, being held in Jerusalem this year, is expected mostly to be uncontroversial. But the government officials, bankers and investors attending the meeting are obsessed with one thing: the financial crisis in Mexico and the fall-out for the rest of the region.

Many still appear dazed by the speed and ferocity of the crisis, which has dramatically slowed capital inflows to the region. Its genesis, many agreed, was unlike the traditional shocks to which Latin American economies have been periodically subjected, when the effects of a fall in commodity prices or a rise in energy prices were easy to see.

Mr Ricardo Hausmann, the chief economist of the IADB, told a conference yesterday that the Mexican crisis crept up on the government in a way "both less obvious and less transparent than the old shocks to the current account". The symptoms of this new brand of crisis were felt through pressure on the exchange rate, higher interest rates and falling international reserves, but it was not clear whether its roots were international or domestic.

Mr Enrique Iglesias, the bank's president, pointed out that it is no longer sufficient to get an International Monetary Fund standby loan and telephone a sympathetic banker in New York to get finance. As Mr David Mulford, chairman of CS First Boston and a former US Treasury official, emphasised, capital is now provided by thousands of individuals making investment decisions. No longer, as in 1982, can a relatively small group of commercial banks be forced through self-interest to cough up support.

Thus, not only may it be unclear when a country is entering crisis, it is also more difficult, once started, to resolve. Asked yesterday to draw some preliminary lessons from the Mexican crisis, undersecretary for international affairs at the US Treasury, Mr Lawrence Summers, was willing to draw a few conclusions.

The first issue he addressed were some clues about spotting a crisis on the horizon. Mr Summers's first suggestion was not to assume that large current account deficits caused largely by the private sector were always benign. If a country had no budget deficit, there might still be cause for worry – although it might be able to rest easier if the capital inflows were heading for investment; easier still if the investment was in the tradeable goods sector.

The next question to examine was, he suggested, on what terms the finance would be made available and how those terms were changing over time. The conclusion was a government might start to worry when it was being forced by investors to shorten maturities or to switch from paper denominated in local currency into that denominated in foreign currency. A switch into debt instruments from equity was another potential warning sign.

Then, it was important not to have too large a current account deficit to finance. If more than 5 per cent of gross domestic product needs to be financed (Mexico's deficit was nearly 8 per cent), only phenomenal economic growth would prevent a debt build-up.

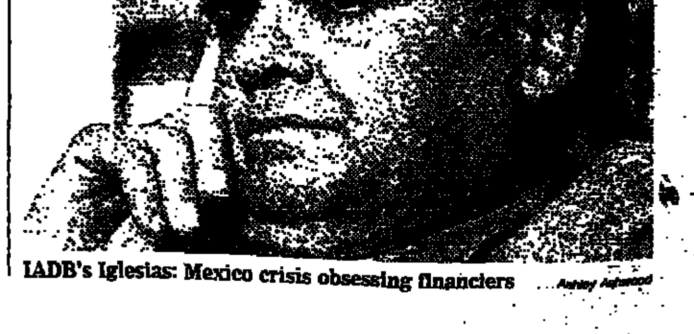
The next issue Mr Summers addressed was how countries should respond to such a crisis. The answer, in summary, was conservatively and rapidly. From a policy perspective, it would be better to assume that capital inflows were temporary and that outflows permanent than the other way round. That would mean, among other things, that central banks should think hard before expanding domestic credit to offset the contractionary effects of capital outflows.

Turning to the international response to such a crisis, Mr Summers said he was convinced there was a role for a lender of last resort in the international arena to deal with extreme problems of liquidity.

He said there were genuine concerns about undesirable incentives. "It's right to worry about moral hazard but I don't side with those who believe that the fire department shouldn't exist because it encourages people to smoke in bed."

The international financial institutions also had an important role in encouraging financial and economic transparency, which he defined as "the timely and frequent publication of comprehensive data on national accounts, monetary figures and central bank balance sheets". The tools and means of surveillance of economies by the institutions should be improved.

The questions generated much consensus. Not surprisingly, perhaps at a meeting of its type, there was little appetite expressed for overturning the broad economic model of open trade and market oriented economies that governments have espoused in the region in recent years. However, no consensus could be found on two issues: the right exchange rate regime to avoid such crises and the need for short-term capital controls.



IADB's Iglesias: Mexico crisis obsessing financiers Ashley Ashwood

NEWS: WORLD TRADE

WTO chief warns over meddling

By Guy de Jonquières, Business Editor

Mr Peter Sutherland, outgoing director-general of the World Trade Organisation, yesterday warned members that they would jeopardise the body's impartiality and effectiveness if they meddled too much in the conduct of its internal affairs.

"The risk is... that member states may attempt to micro-manage the organisation, in areas like appointments or the internal allocation of resources," Mr Sutherland told businessmen in Ottawa.

"Such a trend would have dangerous consequences for the integrity and impartiality which are absolutely essential to the WTO's credibility and effectiveness," he said. The secretariat of the General Agreement on Tariffs and Trade, the WTO's predecessor, had earned a strong reputation on this score, and it would be "tragic" if it were damaged.

Mr Sutherland, who is due to step down at the end of this month, did not spell out any specific instances of excessive intervention by governments in the operation of the WTO since it was established at the start of the year.

However, the US angered many other governments last month when it offered the post of WTO deputy-director general to Mr Kim Chul-su, who lost to Mr Renato Ruggiero of Italy in the politically charged contest to head the organisation.

Washington's decision, taken without international consultation, has required the WTO to create an additional deputy position for Mr Kim. African countries have complained that theirs is the only continent not to be represented at the top of the organisation.

Mr Sutherland renewed his campaign yesterday to persuade WTO members to increase the organisation's budget. This has been set at SFr105m ($93m) for the current year, well below Mr Sutherland's requested figure.

The WTO should remain lean and cost-effective, he said. "But members should be wary of confusing leanness with starvation. Government leaders would surely not want the vision they showed in setting up the organisation undermined by short-sightedness at the budgetary level."

He called on members of regional trade groupings to ensure they reinforced the multilateral system by strictly observing WTO rules and launching bold new initiatives in the organisation to eliminate barriers to global trade.

He also buttressed the WTO's claim to play a central role in drafting new rules for international investment, saying the question was when, not whether, the organisation would start work in this area.

Negotiations on investment rules in the Organisation for Economic Co-operation and Development are expected to receive the go-ahead next month. The US and some other industrialised governments believe progress can be achieved faster in the OECD than in the WTO.

Crowded road leads to Vietnam car market

But six foreign vehicle makers want to join those already there, reports **Our Hanoi Correspondent**

In what may seem like putting the cart before the horse, as many as six foreign car and truck makers are hoping to assemble cars and trucks in Vietnam.

But much of the country's road network remains in tatters, the result of war damage and poor upkeep. In the two main cities, Hanoi and Ho Chi Minh City, taxis fight a constant battle for road space with waves of bicycles and motor cycles.

And four existing foreign vehicle projects, licensed in the early 1990s before Hanoi had formulated a clear policy for the industry, scrape by on modest sales of trucks and four-wheel-drives, mainly to Vietnam-based foreign companies.

Yet Ford and Chrysler of the US, Daimler-Benz of Germany, Toyota and Suzuki of Japan and a consortium of Indonesian and Japanese interests have applied to the government for permission to set up plants, representing a total investment of almost $600m.

Vietnam's Ministry of Heavy Industry (MOHI), subsidiaries of which have signed joint-venture agreements with some of the foreign companies, says approvals will come before June. It estimates total vehicle demand by 2000 at 60,000 annually.

The attraction of Vietnam is two-fold. With economic growth expected to average between eight and 10 per cent a year until the year 2000, the vehicle makers and the Vietnamese government believe incomes will be high enough to justify making and selling cars and trucks locally, at first in Ho Chi Minh City in the south.

"That's where the larger market is at the moment and for the next few years to come," says Dr Sieghard Ebner, regional manager for Mercedes-Benz, based in the capital Hanoi. Mercedes-Benz's parent company, Daimler-Benz, plans one plant in the north and one in the south, representing a total investment of $70m and focusing on the assembly of trucks and vans. It sees demand for commercial vehicles reaching 11,000 by 2005 and aims to be selling between 500 and 600 of its luxury saloon cars in Vietnam by then.

The company has already established a dealership in Ho Chi Minh City, where it sold its first car to a Vietnamese businessman in July last year.

Ultimately, the vehicle makers also hope to be able to export some of what they produce to other countries, in particular to members of the Association of South-east Asian Nations (Asean), which Vietnam joins in July.

"I think there's also a great opportunity for export here," says Mr Vance Peacock, director of Vietnam operations for Chrysler, which plans to invest $199m in making Jeep four-wheel-drive vehicles, light trucks and a version of its Neon saloon. "We realise that you can't wait to enter a market until it's fully developed. It's too expensive."

Toyota, which has the larger share of the imported car market and whose Crown model has virtually replaced the Soviet-made Volga as government officials' preferred means of transport, plans to assemble 20,000 cars, minibuses and vans annually. However, like its rivals, Toyota faces tough government terms requiring foreign companies to ensure that 30 per cent of vehicle parts are made locally within six to 10 years.

Industry experts say the policy is clearly designed to weed out companies that are not deemed serious about technology transfer. The policy emerged about six months ago, when it also became clear that Hanoi would not necessarily limit licences to a strategic balance among two Japanese, one US and one European company, a strategy which the foreign manufacturers had previously taken to be the government's line.

Most foreign manufacturers agree that policy has shifted simply because Vietnamese policy makers have made the effort to learn as much about the industry as possible. The move has won Hanoi a degree of respect among foreign companies. "Three or four years ago they were babes in the woods as regards what could be done in the auto industry, hence the early licences," says Mr Greig Craft, a Hanoi-based consultant who handles Ford's interests in Vietnam. "I don't think they are as driven by political considerations as they were. They are very open and co-operative."

However, the decision on localisation has unsettled the foreign manufacturers. Making local parts is likely to be tough in a country where even the indigenous bicycle industry has difficulty surviving with outmoded technology. The foreign makers say they are therefore working hard on convincing their parts suppliers to follow them to Vietnam.

"Obviously they want to protect the home-grown industry and I think that's justifiable. Are the numbers realistic? That remains to be seen," says Mr Craft.

But perhaps more worrying is a decision by Hanoi in March to reinstate imports of second-hand vehicles, which the MOHI official says is designed to meet current demand. He adds that the government will adjust the policy annually; but without a cast-iron guarantee that second-hand imports will eventually be banned, foreign companies are still nervous.

"If a manufacturer starts assembling cars here, it will be a disaster if he's competing with his own models," says one industry expert.

Vietnam's vehicle industry: now and proposed

Name	Origin of investors	Vehicle type	Investment
■ Existing manufacturers			
JVM Co	Malaysia, Japan	Minibuses	$50.0m
Mekong	Japan, South Korea	Four-wheel drives, trucks, buses	$39.5m
Vietnam Motor Corp	Philippines	Four-seaters, light trucks, buses, minibuses	$33.2m
Daewoo Vietnam	South Korea	Sedan cars, four-wheel drives, trucks, buses	$32.2m
■ Manufacturers planning ventures			
Chrysler Vietnam	US	Light trucks, Jeeps, cars	$199.0m
Toyota Vietnam	Japan	Cars, vans, minibuses	$175.0m
Ford Vietnam	US	Cars, four-wheel drives, minibuses, trucks	$102.0m
Mercedes-Benz Vietnam	Germany	Cars, buses, trucks	$70.0m
VINDACO	Indonesia, Japan	Trucks	$32.0m
Suzuki Vietnam	Japan	Trucks, vans	$20.9m

Source: Vietnam Economic Times

WORLD TRADE NEWS DIGEST

Ruling on Japan drinks tax urged

Sir Leon Brittan, the EU's chief trade negotiator, yesterday said he would press for a World Trade Organisation ruling on Japanese liquor taxes on the grounds that they discriminate against European spirits.

Japan was instructed by the General Agreement on Tariffs and Trade in 1987 to remove all tax differentials in the spirits sector after Gatt ruled that Japan's tax system discriminated against Europeans.

Sir Leon said he would consult member states about taking the case to the WTO. The EU had pressed Japan to make the necessary changes to meet its Gatt obligations, he said, but added that "I have concluded with regret that we are unlikely to be able to resolve our differences within a reasonable time horizon".

This would be the first disputes panel settlement sought by the EU under the WTO. A panel is set up only after an initial consultation period has failed to settle a dispute.

Although the Japanese government had accepted the Gatt findings, the changes have only been partially implemented, a Commission official said. Whisky and brandy were taxed four to six times more than the local Japanese brew, shochu, while other spirits such as vodka, gin and rum were taxed two to three times higher.

Gatt ruled that "like" products such as vodka and shochu should be taxed identically, while all distilled liquors should be taxed similarly so as not to "afford protection to domestic production". European products affected include whisky from Britain and Ireland, Spanish brandy, French cognac and Swedish and Finnish vodka. *Caroline Southey, Brussels*

Japan car quotas raised

The EU and Japan have agreed a 1.7 per cent increase in Japanese car and light commercial vehicle exports during 1995. The increase is mainly due to the EU's enlargement since the accession of Austria, Finland and Sweden at the beginning of the year. The three new members are included in the new quota of 1.1m vehicles.

Japanese car exports to the EU fell short of the 993,000 quota set in 1994, reaching only 818,000 during the year. On present predictions the Commission does not expect Tokyo to use up the full 1995 quota. The three new members join the EU's list of non-restricted markets. Under a 1991 agreement a transitional period, due to end in 1999, was agreed for five EU member states which had previously restricted Japanese imports.

The quotas have been set on the assumption that demand in the 15 EU member states will rise by 4.3 per cent to 13.3m this year compared with 1994. The figures will be reviewed in September. *Caroline Southey, Brussels*

Contracts and ventures

■ American engineering company Brown & Root has won an order worth $400m-$500m to build an ethylene plant in Kuwait. The company is due to sign the contract for engineering. procurement and construction of the plant in mid-April with Equate, a joint venture between Kuwait's Petrochemical Industries and America's Union Carbide. The 650,000 tonne-a-year ethylene plant is due for construction by August 1997. It is part of a petrochemical complex Equate is building south of Kuwait City. America's Fluor Daniel is overall project manager for the estimated $2.0bn complex, which will be the emirate's first mainstream petrochemicals facility and contain the Gulf's largest polyethylene and ethylene glycol plants. *Reuter, Kuwait*

■ Ford of the US plans to invest $50m to expand its car and truck assembly operations in Venezuela over the next three years. The investments aim to increase capacity for exporting vehicles to other countries in the Andean region, notably Colombia and Ecuador. *Joseph Mann, Caracas*

■ MAC Alenia Marconi Communications, a British-Italian radio communications joint venture, has signed a $68m contract with Komineft, the Russian oil company, to supply radio surveillance and control systems and equipment for the management of oil wells, pipelines and crude oil treatment plants in the autonomous Russian republic of Komi.

The contract, which includes a subcontract with Hewlett Packard's Italian operation, will be carried out over three years with OTE, a subsidiary of MAC, as prime contractor. MAC is a joint venture between subsidiaries of Finmeccanica, the Italian state-controlled engineering company, and GEC of the UK. *Andrew Hill, Milan*

Nikkei index's latest fall could block fragile recovery, business lobbies warn government

Japan pressed to bolster stock market

By William Dawkins in Tokyo

Tokyo yesterday came under pressure from business and the political opposition to bolster the stock market and do more to try to turn back the yen's relentless rise.

Business lobbies warned that the fragile recovery could be nipped in the bud by the Nikkei index's latest fall. Yesterday it slid 758.66 points or 4.7 per cent to 15,381.29, a 32-month low, on fears the yen's renewed strength would erode the earnings of Japan's export-dependent manufacturers.

At this level, the Nikkei has fallen 22 per cent since the start of the calendar year, a shock to the balance sheets of banks which carry some of their capital in equities, and to the many industrial companies which rely on equity sales to pad their earnings.

Mr Shoichiro Toyoda, chairman of the Keidanren economic federation, warned that the economy was "now in a very severe situation".

Call to bring forward public works spending

He called on the government to speed its economic deregulation programme announced last week, which was widely criticised for being ineffective, and to bring forward spending in a Y630,000bn (£4.4bn) 10-year public works programme started this year, in an attempt to stimulate domestic demand.

He repeated calls to the Bank of Japan to cut the official discount rate to take pressure off the yen. Despite the first dollar-buying intervention in Tokyo in six years by the US Federal Reserve, the dollar fell from Y88.37 at Friday's Tokyo close to Y86.5 yesterday.

At that level, the yen has appreciated 15 per cent since the start of the year, the maximum Japanese companies can cope with, claimed Mr Tomio Tutsumi, vice-minister of international trade and industry.

The Japanese central bank revealed yesterday that its foreign reserves rose by a record $15.58bn (£9.7bn) in March, most of which was spent buying the US currency in a futile attempt to reverse its decline.

During the month, the yen appreciated 8 per cent against the dollar, saddling the bank with an enormous foreign exchange loss. By the end of March, the Bank of Japan's reserves stood at $141.52bn, a world record.

The bank is reluctant to consider a cut in the official discount rate, at which it lends to the banking system, until it sees the impact of the reduction it announced last week in overnight money market rates.

Mr Masaru Hayamai, a former Bank of Japan executive director who is now chairman of the Keizai Doyukai executives' association, warned yesterday that the currency crisis was beyond the central bank's control. It was a consequence of Japan's high current account surplus and the US budget deficit, he argued.

Shoichiro Toyoda: urged discount rate cut to ease pressure on yen

Spiralling yen proves a double-edged sword

Japan's neighbours may endure monetary stringency before reaping benefits, writes **Peter Montagnon**

Asian currencies: double-edged gyrations

Source: Datastream

All other things being equal, most governments in Asia ought to be delighted by the way their currencies have performed this year.

In the backwash of the dollar's slide against the yen, other Asian countries have also seen their currencies weaken sharply against the Japanese unit, increasing their export competitiveness and adding to their ability to attract foreign investment.

An obvious beneficiary is South Korea, which competes head-on with Japan in products from semiconductors to cars. It reaps a great boost from the won's depreciation of about 10 per cent against the yen this year.

Whereas periods of yen strength have proved a more widespread boon in the past, this time the currency's gyrations are proving double-edged. The turbulent capital flows which provoked the flight from the dollar are also responsible for investor mistrust of emerging financial markets in the wake of the Mexican crisis.

This has added to pressure on many Asian countries, including Thailand, Indonesia and the Philippines, to raise their interest rates, especially since economies around the region are already showing signs of overheating.

Many economists believe the short-term impact of the currency upheaval could be painful. Only later will the benefits in the form of growth spurred by higher exports and foreign investment show through.

Two other factors cloud the picture. One is the fear that Japanese foreign investment may grow more slowly in the wake of the Kobe earthquake. The other is the increased cost to many Asian countries of servicing foreign debt denominated in yen. "We have seen quite a big rise in Japanese investment in 1994. I'm not sure 1995 will be quite as huge. The earthquake has been a big shock and some companies are not that financially healthy at the moment," says Mr Tapan Datta, a senior economist at American Express Bank.

Other economists are more sanguine, believing not only that Japanese companies will need to import more components from the rest of Asia to compensate for supplies disrupted by the earthquake, but that the trend to move production facilities abroad will continue.

"Approvals of foreign direct investment are bouncing back up, especially in Thailand, after several years of downturn," says one Hong Kong-based economist. "We are expecting that to translate into greater investment this year."

Anecdotal evidence suggests Japanese investment is not only growing, but involves increasingly sophisticated technology.

Toshiba and Honda have both announced large programmes in Thailand in recent months. Hitachi plans to make computer disk drives in the Philippines. It cites the availability of well educated engineers and managers there, as an attraction which that country is now able to exploit.

"The proportion of Japanese company output produced abroad is still lower than that of European or US companies," says Mr Manu Bhaskaran of Crosby Securities in Singapore. "That makes for a growth trend in foreign investment."

The majority assumption is that pressure on Japanese companies to relocate production abroad will become acute, with the yen at its present level. Even countries with more vulnerable economies such as Indonesia and the Philippines should benefit.

According to Crosby's Mr Bhaskaran, investment approvals by Indonesia have been running at an even faster rate this year than last when they totalled $24.4bn (£15.2bn).

Only a fraction of that will need to be turned into hard cash to meet the extra servicing requirements on the yen portion of Indonesia's foreign debt, which constitutes some 40 per cent of the $90bn total.

The size of Asia's yen debt has made some investors nervous. According to Baring Securities it amounts to more than 20 per cent of Indonesia's gross domestic product. The Philippine ratio is 17 per cent of GDP and that of Thailand 10 per cent.

But most of the debt is government-to-government credit with long maturities and subsidised interest rates so that the annual servicing costs remain manageable despite the yen's appreciation.

A more immediate problem is the tendency for Asian economies to overheat amid worries about inflation and the impact on the balance of payments of surging imports.

Yet the direct impact of the stronger yen on Asian price levels is also quite limited.

There are some notable exceptions: for example, the cost of producing Malaysia's Proton car has risen sharply because of its high level of Japanese inputs. But over the past year or so, weather-induced rises in food prices have had a far greater impact on national consumer price indices in Asia.

These show signs of decelerating, which should help offset the higher cost in local currencies of Japanese imports.

The snag is that, after Mexico, financial markets have become obsessed with picking on weakness.

The Thai baht came under pressure earlier this year as markets began to worry about the extent of the country's current account balance of payments deficit and the degree to which it has been financed with short-term debt. Late last month, the Thai central bank moved to discourage foreign currency borrowing by residents to help cool the economy.

Similarly, Malaysia has had to deflect anxiety about its balance of payments deficit, which widened to 6.6 per cent of GDP last year from 4.1 per cent in 1993.

The Philippines has had to raise interest rates to stem pressure on its currency, which is widely regarded as having appreciated too far last year.

It is hard for these countries to follow Singapore's example and allow their currencies to appreciate against the dollar to curb inflation.

But if the opposite happens and their currencies fall against an already weak dollar, the risk of an inflationary spiral increases. Several countries may thus have to endure a period of monetary stringency before the region feels the beneficial effects of the stronger yen.

"I don't think confidence has been re-established yet," says Mr Datta. "People need to know how high interest rates will have to go."

INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−164.5	0.7623	100.0
1986	231.0	−140.6	−153.7	0.9836	80.2
1987	220.2	−131.8	−144.8	1.1541	70.3
1988	272.5	−100.2	−108.3	1.1833	66.0
1989	330.2	−99.3	−93.3	1.1017	69.4
1990	309.0	−79.3	−72.0	1.2745	65.1
1991	340.5	−53.5	−5.6	1.2391	64.5
1992	345.9	−65.2	−52.4	1.2957	62.9
1993	397.3	−98.7	−88.8	1.1705	65.6
1994	432.3	−127.6	−131.4	1.1857	65.6
1st qtr.1994	106.7	−29.0	−28.8	1.1244	66.8
2nd qtr.1994	107.6	−32.8	−32.6	1.1605	65.3
3rd qtr.1994	106.5	−33.6	−33.4	1.2232	62.8
4th qtr.1994	111.3	−32.1	−36.3	1.2346	62.3
March 1994	37.5	−8.4	n.a.	1.1410	66.1
April	36.0	−10.6	n.a.	1.1385	66.0
May	35.3	−11.1	n.a.	1.1622	65.3
June	36.2	−11.0	n.a.	1.1808	64.6
July	33.6	−12.2	n.a.	1.2187	63.0
August	36.9	−10.5	n.a.	1.2196	63.1
September	36.0	−10.9	n.a.	1.2312	62.3
October	35.3	−11.0	n.a.	1.2544	61.5
November	36.9	−11.4	n.a.	1.2369	62.1
December	39.2	−9.8	n.a.	1.2126	63.4
January 1995	36.1	−13.1	n.a.	1.2374	
February			n.a.	1.2455	

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.3	166.58	133.2
1988	219.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	89.8	164.05	142.9
1993	300.0	120.8	111.0	130.31	173.8
1994	324.0	122.6	106.1	120.99	173.8
1st qtr.1994	81.1	32.7	29.6	120.95	182.5
2nd qtr.1994	81.7	31.6	26.7	119.84	187.1
3rd qtr.1994	80.4	30.1	26.2	121.14	189.9
4th qtr.1994	80.8	28.4	23.9	122.03	189.1
March 1994	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	7.8	120.67	186.2
June	28.0	10.8	10.0	121.06	186.8
July	26.8	11.1	9.9	120.00	191.5
August	26.9	9.2	7.8	121.85	188.7
September	26.7	9.8	8.5	121.56	189.8
October	25.4	8.0	6.4	123.44	188.2
November	27.5	10.7	8.8	121.21	190.5
December	27.9	9.8	8.7	121.44	188.7
January 1995	25.8	8.7	7.8	123.32	
February				122.27	

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*248.5*	*53.4*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*
1989	*310.2*	*65.4*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.8	36.9	2.0537	119.1
1991	327.4	11.3	−15.7	2.0480	117.7
1992	330.6	16.7	−17.0	2.0187	121.2
1993	322.9	31.4	−16.7	1.9337	124.6
1994	356.0	38.4	−26.9	1.9198	
1st qtr.1994	81.9	7.6	−5.9	1.9370	122.4
2nd qtr.1994	89.7	11.1	−2.7	1.9276	123.5
3rd qtr.1994	88.8	8.4	−13.2	1.9088	126.0
4th qtr.1994	95.6	11.2	−7.2	1.9056	126.3
March 1994	26.8	1.2	−1.9	1.9299	123.2
April	29.1	4.6	−0.6	1.9335	122.6
May	30.2	3.0	−2.3	1.9265	123.5
June	30.5	3.6	0.1	1.9228	124.3
July	29.0	2.2	−7.0	1.9117	125.7
August	30.5	4.0	−3.5	1.9075	126.3
September	29.4	2.2	−2.7	1.9073	126.1
October	31.3	3.5	−3.8	1.9072	126.4
November	31.9	4.9	0.4	1.9044	126.3
December	32.5	2.9	−3.8	1.9054	126.2
January 1995				1.8929	
February				1.8698	

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.7	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.5	4.5	2.9	6.8420	106.0
1993	179.6	13.3	7.9	6.6281	108.3
1994	198.2	12.9	7.9	6.5659	
1st qtr.1994	46.8	2.4	3.6	6.5881	106.0
2nd qtr.1994	48.9	3.2	0.9	6.5987	108.0
3rd qtr.1994	50.0	3.1	1.2	6.5362	110.0
4th qtr.1994	52.6	4.2	2.2	6.5426	110.1
March 1994	16.1	1.35	1.34	6.5782	108.3
April	15.9	1.17	0.61	6.6240	107.1
May	16.7	1.13	0.54	6.5972	107.9
June	16.3	0.88	−0.20	6.5688	108.8
July	16.1	0.64	0.94	6.5508	109.7
August	17.2	1.11	−0.35	6.5347	110.2
September	16.7	1.37	0.65	6.5233	110.3
October	17.3	1.68	0.45	6.5281	110.5
November	17.4	1.05	−0.26	6.5388	110.1
December	17.9	1.51	1.97	6.5612	109.6
January 1995	17.6	1.45		6.5464	
February				6.5040	

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.6
1991	137.0	−10.5	−17.7	1531.3	98.9
1992	137.9	−8.0	−21.5	1591.5	95.7
1993	144.3	17.9	9.8	1838.7	79.6
1994	151.0	18.8		1908.6	
1st qtr.1994	37.5	3.4	1.1	1892.8	76.2
2nd qtr.1994	40.7	4.7	3.0	1861.2	77.8
3rd qtr.1994	38.0	6.2	1.5	1920.2	75.6
4th qtr.1994	34.9	4.5		1960.2	74.0
March 1994	14.5	1.7	0.8	1901.9	75.9
April	12.9	1.4	1.0	1850.1	78.0
May	13.7	1.6	0.9	1852.9	78.2
June	14.0	1.7	1.0	1880.5	77.1
July	14.2	3.1	1.9	1904.5	76.3
August	9.9	2.0	1.8	1928.3	75.4
September	14.0	1.1	−2.2	1928.0	75.3
October	13.8	1.6	0.4	1942.9	74.9
November	14.0	1.1		1958.1	74.0
December	7.1	1.8		1979.6	73.2
January 1995				1992.4	
February				2017.1	

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.6
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.6
1990	142.3	−26.3	−26.6	0.7150	91.3
1991	147.7	−14.7	−11.7	0.7002	91.7
1992	145.9	−17.8	−13.4	0.7359	88.4
1993	155.9	−17.2	−14.4	0.7780	80.2
1994	174.5	−13.9	−15.2	0.7736	
1st qtr.1994	42.0	−4.4	−1.9	0.7554	81.3
2nd qtr.1994	43.0	−3.1	−0.9	0.7716	80.0
3rd qtr.1994	44.0	−2.4	1.7	0.7885	79.2
4th qtr.1994	45.4	−4.0	0.8	0.7791	80.2
March 1994	13.8	−1.7	n.a.	0.7649	80.5
April	14.4	−0.9	n.a.	0.7673	80.0
May	14.1	−1.4	n.a.	0.7733	79.9
June	14.5	−0.9	n.a.	0.7741	80.1
July	14.5	−0.8	n.a.	0.7881	79.2
August	14.7	−0.8	n.a.	0.7906	79.0
September	14.8	−0.8	n.a.	0.7867	79.3
October	15.0	−0.9	n.a.	0.7812	80.2
November	15.4	−1.0	n.a.	0.7786	80.2
December	15.0	−2.1	n.a.	0.7775	80.1
January 1995			n.a.	0.7858	
February			n.a.	0.7923	

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Daya Bay nuclear plant to be shut down after fault

By Simon Holberton in Hong Kong

The Daya Bay nuclear power plant in southern China will be shut down indefinitely from today after one of its two reactors failed a safety test last week.

The $4bn (£2.5bn) power plant, China's first commercial nuclear plant, is 30 miles from Hong Kong and has been the source of much anxiety in the colony since construction began in the late 1980s.

Unit One failed a test concerning its control rods last week. These rods are used to control and stop the fission reaction at the heart of the reactor's operation. The second of the plant's two reactors will be shut down for maintenance and refuelling.

Mr Jacques Pretti, senior technical adviser to Hong Kong Nuclear Investment Co (HKNIC), a 25 per cent shareholder in Daya Bay, was unable to say when the reactor would restart operation.

"It's a nuclear power station and we do not have to take risks," he said. He likened the current situation at Daya Bay to an aircraft grounded for safety reasons. "It's on the ground so it cannot crash."

Mr Pretti, who has managed nuclear power plants in France for Electricité de France, said routine tests in December found seven of the 53 clusters of rods which control the nuclear reaction had failed to meet international standards for the speed of drop into the uranium fuel.

A decision had been taken to replace all the rod clusters with new ones from France.

But when fresh tests were conducted last week, the same problem re-emerged.

"We are expecting a diagnosis from the experts from France. They are trying to analyse the situation and propose a solution," he said.

At the weekend, a group of French engineers from Framatome, the equipment supplier, flew to Daya Bay to help six others already there.

Daya Bay has been plagued by a series of safety problems which have interrupted the reactor's operation.

The shutdown today is the most serious. Daya Bay has always been contentious in Hong Kong.

In 1986 Beijing was presented with a petition carrying more than 1m signatures protesting at the construction of the plant.

Some political analysts have suggested Daya Bay was as responsible as the Tiananmen Square massacre of 1989 for the large-scale emigration Hong Kong saw in the early 1990s.

Aum sect claims it was framed by another group

By Emiko Terazono in Tokyo

A senior official of Aum Shinri Kyo, the Japanese Buddhist sect whose activities have been investigated by police following last month's nerve gas attack on the Tokyo subway, yesterday alleged that the sect had been framed by another religious group

Mr Fumihiro Joyu, spokesman for the sect, accused Soka Gakkai, a large Buddhist sect with strong links to Shinshinto, the main opposition party, of being behind the nerve gas incident which killed 11 people, and the shooting of the head of police, last week.

Soka Gakkai, which has several million members and is generally regarded in Japan as a respectable organisation, promptly denied the allegations as ludicrous.

Yesterday's statements follow the discovery in Aum Shinri Kyo's headquarters of more than 650 drums containing chemicals including sodium fluoride, phosphorus trichloride and isopropanol, which authorities said could be used to produce as much as 5.6 tonnes of sarin, the substance believed to have been used in the subway attack.

A concealed chemical processing plant has also been discovered at the headquarters, in Kamikuishiki at the foot of Mount Fuji, in a building which the sect had initially claimed was an altar to Shiva, the Hindu god.

The group's sinister image has been reinforced by claims which have recently filled the Japanese press from former members saying they had been detained and maltreated.

Mr Joyu said yesterday that more traditional religious groups resented Aum's success in attracting young and intelligent believers, and were trying to incriminate the group by making it look as though it had committed the recent crimes. It has previously alleged that the US army and Japanese police were trying to eliminate the sect.

The National Police Agency said it had sent two officials to the US to exchange information with the Federal Bureau of Investigation over the sect's activities in America.

This follows last week's dispatch of officials to Russia and Germany to investigate the group's operations in these countries. Two police agency members yesterday met counterparts at the interior ministry in Moscow.

ASIA-PACIFIC NEWS DIGEST

Singapore fears maids' exodus

Employment agencies in Singapore have asked Sri Lankan companies to recruit thousands of housemaids in anticipation of an exodus of Philippines maids, following the execution last month of Ms Flor Contemplacion, found guilty of murder.

"The girls are leaving Singapore so fast we have been asked to offer up to S$250 (£108) a month, about six months' pay for an *ayah* in Colombo," the manager of one Sri Lankan foreign employment company said.

President Fidel Ramos yesterday called a special session of congress for next month, to consider proposals for improving conditions of overseas workers. The hanging of Ms Contemplacion has strained relations between Manila and Singapore, as many Filipinos believe the executed housemaid was framed.

Ms Contemplacion's daughter Russel yesterday told a presidential commission investigating the case that her mother had claimed she was tortured and drugged into admitting the crime. On Sunday, the Singapore government said it was prepared to accept a proposal from Manila for an independent review of post-mortem results on one of the two murder victims. *Mervyn de Silva, Colombo and AP, Manila*

S Korea industry output up

South Korea's industrial output rose 19.3 per cent in February compared with a year earlier, after rising 8.9 per cent in January, provisional National Statistical Office figures showed. The February jump was due partly to a larger number of working days. "Production last February was affected greatly by the lunar new year holidays, but this year the holidays fell in January," an NSO official said. Output fell 1.6 per cent in February from January.

The country's top 30 conglomerates plan to boost total investments in plant and equipment this year to Won35,400bn (£28.4bn), a 47 per cent annual increase, according to Samsung, the top business grouping. Samsung would invest about Won7,000bn. *Reuter and AFP, Seoul*

■ South Korean construction companies won foreign orders worth $922m (£576m) in the first quarter of this year, against $1.23bn in the same period of 1994, the Overseas Construction Association of Korea said. Orders from south-east Asia accounted for $693m. *Reuter, Seoul*

Greenpeace tracks nuclear ship

A cargo ship carrying reprocessed nuclear waste from France to Japan has sailed through the South Pacific, the environmental group Greenpeace said yesterday. The British-flagged Pacific Pintail, carrying 14 tonnes of radioactive waste, was located some 620 miles off the French territory of the Marquesas. Greenpeace has been tracking the ship with its vessel Solo since the Pacific Pintail left Europe last month, aiming to arrive in Japan later this month. The Pintail's route was not disclosed in spite of requests by several South Pacific and East Asian nations. *AFP, Tokyo*

Solomons logging go-ahead

People living on a forest-covered Pacific island are to be resettled against their wishes so a logging company can clear the land of timber, a Solomon Islands government statement said. Residents of Pavuvu Island, 31 miles from Honiara, the capital, have said they will burn any logging equipment taken to their island. Last month, Mr Nelson Ratu, the anti-logging premier, lost his post to Mr Peter Manetiua; last week, logging was given the go-ahead.

A ministry note said the islands' Mavin Brothers logging company had been given the right to cut 895,000 cu metres of timber, valued at £83m. Mavin would be required to resettle the islanders by building new villages, roads and schools. Several thousand people live on Pavuvu. *AFP, Honiara*

Taipei spurns Hanoi protest

Taiwan yesterday rebuffed a Vietnamese protest about its conduct in the disputed Spratly Islands and reasserted its claim to sovereignty there. But it sought to calm tension by calling off a marine police mission to the islands.

Taipei said Vietnam, which has territorial claims in the Spratlys, lodged the protest over structures Taiwan has built on an islet near the Spratly island of Taiping. Vietnam charged that on March 25, Taiwanese troops on Taiping fired on Vietnamese transport ships. Taiwan asserted its sovereignty, reiterating its call for joint development and peaceful solutions to disputes in the archipelago, 700 miles south-west of Taiwan. *AP, Taipei*

■ Motor vehicle sales in Japan in the year to March rose 5.1 per cent from the previous year to 5,055,374 units, marking the first annual rise in four years, the Japan Automobile Dealers Association said yesterday. In March alone, vehicle sales rose 11.2 per cent from a year earlier, the 10th consecutive monthly rise, to 755,216 units, of which car sales rose 9 per cent to 534,424 units. *AFP, Tokyo*

■ Indonesia has increased its recommended price of cement Portland type 1 by an average of about 40 per cent. A Trade Ministry official said the rise was intended to give companies an incentive to increase production but keep the price reasonable. *Reuter, Jakarta*

Jordan uneasy as US drags feet on debt

Opposition to peace grows as promises of a write-off have yet to win congressional support in Washington, writes **Julian Ozanne**

Few things could be more humiliating to Jordanians and more damaging to their support of peace with Israel than to see their popular monarch, cap in hand, in Washington trying to persuade US law makers to honour President Bill Clinton's promise to write off Jordan's debt.

King Hussein's trip to North America, and his meetings last week with Mr Clinton and senior members of the US Congress, appear to have secured support for a write-off of the full amount of Jordan's $702m (£439m) debt to Washington – a promise Mr Clinton made in the Jordanian parliament to the king in October last year in return for his courage in making peace with Israel.

The apparent inability of the US administration to get congressional support for a write-off of the full amount and the subsequent tough lobbying campaign forced on Jordan and supported by Israel has taken a toll on Jordanian support for peace.

It has also made many Jordanians feel that the US, which gives Egypt and Israel $5.1bn annually to support their peace agreement, is not sensitive to Jordan's economic plight and its need to achieve speedy tangible economic benefits from the peace process.

This has been compounded by Israel's foot-dragging in negotiations over trade and aviation agreements, lack of progress in talks between Israel and Palestinians on extending self-rule to the West Bank, and Israel's punitive closures of its borders with the West Bank and Gaza Strip. There is also growing Jordanian hostility to thousands of Israeli tourists who have visited the kingdom since the peace agreement and whom Jordanians accuse of being insensitive to their culture and traditions.

Jordan has high unemployment and up to a quarter of the population is below the poverty line. King Hussein gambled that his peace deal with Israel would unleash a wave of foreign investment and aid which would quickly help redress Jordan's social and economic tensions and win over a sceptical public.

In the wake of the peace agreement he called for a 10-year aid programme worth $2.5bn and even hinted that some of the US aid allocated to Israel and Egypt might be diverted to Jordan.

He also asked for a US military package worth $12bn over 10 years, including three to four squadrons of aircraft and 200 tanks.

The government has also included in its 1995 budget big projects worth JD390m ($570m) which are linked to the peace process and which it hopes international donors such as the European Union, the European Investment Bank, the World Bank and bilateral donors such as Britain, Japan and others will fund.

> Many Jordanians feel the US is not sensitive to their plight and their need for speedy benefits from the peace process

But the failure of the US to write off the full amount of its debt (last year Congress wrote off $220m of the $702m total) and the US allocation of a mere $43m of aid for Jordan in 1995/96 has dented expectations of economic and military support.

Mr Abdul Karim Kabariti, Jordan's foreign minister, said after talks in Washington: "The questions are pending as far as how much peace will contribute to alleviating the daily pressures, the daily job opportunities, lowering the poverty levels in Jordan and improving the standards of living... We need to know that the international community is really forthcoming."

Collapsing support for peace could have serious implications in a country still deeply concerned by security and beset by divisions between ethnic Jordanians and Jordanians of Palestinian origin, between an urban wealthy elite and the poor, and between secular and Islamic forces.

The Islamic Action Front, the largest bloc in parliament, and its left-wing allies are rallying increasingly vocal opposition to the agreement and specifically to any further steps towards normalisation of relations with Israel. Last month, they foiled government attempts to get parliament to repeal outdated legislation that banned contact or trade with Israel by boycotting the session and denying the 80-seat chamber a quorum.

Twelve professional associations representing 80,000 doctors, lawyers, dentists, engineers and others have rejected normalisation of relations with Israel and announced their own boycott of the Jewish state.

"The danger is that there is a growing politically emotive feeling that Jordan has bolted from the nationalist Arab camp to a reliance on Israel and the US," said Mr Rami Khouri, a political analyst. "There's a feeling of isolation and that we are now part of the US-Israel combine and that is a very uncomfortable feeling for many."

Israel's slow and bureaucratic negotiations with Jordan on implementing the peace agreement have also harmed Jordan's peace camp. For weeks earlier this year Israeli officials argued with Jordanians over the height at which Royal Jordanian passenger flights could fly over Israeli territory. A trade agreement which was supposed to grant Jordanian goods preferential access to Israel has been delayed as Israel argues over virtually every item and its level of duty.

"Israel is bargaining line by line," said Mr Taher Masri, a member of parliament and former prime minister. "Israel is a huge economy compared to Jordan and it does not have to bargain so hard. They give the impression that they will only do things that serve their economic interests..."

Jordanians, up to 70 per cent of whom are of Palestinian origin, are also increasingly alarmed about the lack of progress between Israel and the Palestine Liberation Organisation and the year-long delay in extending Palestinian self-rule to the West Bank. Privately many voice unease about the king receiving awards from Jewish groups and his warm embrace of Israeli politicians. Few Jordanians are prepared publicly to admit they are doing business or plan to do business with Israelis.

While the commitment of the king and his government to the peace agreement is strong, without tangible economic benefits and a much stronger commitment of the international community, the peace between the peoples – rather than the governments – of Israel and Jordan is likely to remain cold.

Israeli prime minister Yitzhak Rabin, US President Bill Clinton and Jordan's King Hussein on the White House lawn in Washington last year: hopes raised of a peace dividend for the kingdom have not been fulfilled Reuter

'Greenhouse' gas cuts proposed

By Haig Simonian in Berlin

Representatives of more than 40 developing countries have proposed sharp cuts in emissions of "greenhouse" gases at the United Nations conference on climate change in Berlin.

The move, disclosed yesterday, presents a marked contrast to the otherwise thin achievements made as the conference enters its final week.

The proposal, drafted over the weekend by 46 members of the G77 group of developing countries, represents a "serious basis for negotiations", a UN official said. "It's encouraging to have such a strong proposal relatively early in a conference," he said.

The document calls on states to recognise that existing efforts to cut greenhouse gases are inadequate and seeks a 20 per cent reduction by 2005.

That is much tougher than the agreement to cut emissions to 1990 levels by the year 2000, made by most industrialised countries at the 1992 Rio de Janeiro earth summit. So far, only a handful of states, including the UK and Germany, look set to meet their commitment.

Almost two days after it was drawn up, deeply divided industrialised countries still had no unified answer or proposal of their own for how to prevent the long-term climate change which scientists say may have catastrophic effects.

The new plan will meet heavy opposition from the US, the world's biggest producer of carbon dioxide – the main greenhouse gas – which is hostile to any timetable or targets for reductions. Objections will also come from the Organisation of Petroleum Exporting Countries, which are against any cut in emissions.

However, the document has been backed by influential newly industrialising countries such as China, India, Brazil and Argentina, as well as an alliance of 30 Caribbean and Pacific island states. Moreover, its recognition of the inadequacy of the Rio targets will appeal to the European Union, which has made a similar call.

But industrialised states will object to the developing world's view that "no new commitments" are necessary on its part. One of the main aims of many developed countries has been to persuade developing states to share some responsibility to limit greenhouse gases.

INTERNATIONAL NEWS DIGEST

Israel postpones airline sell-off

The Israeli government yesterday postponed the privatisation of the national airline, El Al, for six months, in order to clarify the value of the company, which has an unbroken nine-year profit record, but which came out of a 12-year receivership only last February.

Mr Eitan Shafir, the senior official in charge of privatisation at the Treasury, said last night there was a big gap in the evaluations of potential revenue produced by both the government and its independent consultants, depending on the methods employed.

"We have to check the figures again for ourselves," Mr Shafir said. "The new El Al board also wants to check. The privatisation is not something that has to be done in a hurry. The company has no urgent need to raise capital. We also want to take into account changes in El Al's business and in the airline industry."

At present the company is wholly owned by the state. The government plans to sell at least 51 per cent through a flotation in Tel Aviv and New York. As recently as last December, the minister of transport, Mr Yisrael Kessar, set May as a target date for completing the sale. To date at least six local and international groups have expressed an interest in buying the airline. *Eric Silver, Jerusalem*

Investment in Syria grows

Private sector investors in Syria pumped more than S£233bn ($5.5bn) into 1,251 projects over the past 42 months as the government eased state controls.

Mr Mohammed Surakbi, director of the Supreme Council of Investment, told Reuters investors put most money into the industrial sector, spending S£156.1bn, 67 per cent of overall investments, on more than 600 projects in the food, textile, chemical, engineering and medical sectors.

He said the government had recently allowed the private sector to invest in state-dominated sectors such as the textile, cement, and sugar industries in addition to marine transport, to move towards a free market economy following decades of centralised, socialist-style economic policies.

Economists say private investors welcomed such laws but wanted more incentives. They estimate that Syrians have more than $100bn in overseas banks and are awaiting a better investment climate to bring it home.

Officials say the Economy Ministry has submitted a study to the Council of Ministers on establishing a stock market, which investors badly need, but it was not clear when it would be approved. *Reuter, Damascus*

Iran wants talks on islands

Iran yesterday called for direct talks with the United Arab Emirates over the sovereignty of three disputed Gulf islands, the Iranian news agency IRNA said.

It quoted Iranian interior minister Ali Mohammad Besharati as calling for "friendly talks between high-ranking officials of Iran and the UAE in order to solve their problems".

"To solve our differences there is no need for international courts and forums," he said, referring to UAE calls to take the dispute over the islands to the International Court of Justice.

Iran, which says its sovereignty over the islands is not negotiable, has called for bilateral talks to clear up any "misunderstandings".

Iran and the UAE have been at loggerheads over Abu Musa and Greater and Lesser Tunb islands since 1992 when the UAE, accusing Iran of occupying its islands, revived its claim to them after Iran tightened security measures at Abu Musa. *Reuter, Nicosia*

Probe rules out conspiracy in collapse of Barings

By Jimmy Burns

A preliminary criminal investigation into the Barings collapse has ruled that a conspiracy was not responsible for the bank's catastrophic trading losses.

Instead, senior British and Singaporean investigators believe Mr Nick Leeson, the former Barings trader, was acting alone. They believe that no Barings executive knew of his trading and he was not helped by outsiders.

Investigators believe Mr Leeson may have been misleading his employers about the true nature of his trading activities from as early as July 1992, four months after he started working in Singapore.

The view has developed as a result of a series of closed meetings held in Singapore between local government investigators and a legal and police team from Britain's Serious Fraud Office.

While in Singapore the SFO team interviewed Mr James Bax and Mr Simon Jones, both formerly directors of Barings Futures (Singapore), the subsidiary whose losses led to Barings' collapse.

Both men are thought to have repeated their public denials that Mr Leeson reported to them on the trades he carried out on Simex, the Singapore futures exchange. The two men have said Mr Leeson reported to London.

According to investigators Mr Leeson had been building up hidden losses in a special account from the middle of 1992, and not just during last year as was originally suspected after an internal bank audit.

In spite of these losses Barings Futures (Singapore) – the unit of which Mr Leeson was general manager – showed continuing profits between 1992 and 1994, allowing the former trader to earn substantial bonus payments.

Investigators now put July 1992 as the date at which Mr Leeson's hidden trading account, numbered 88888, started to operate. This was the account through which Mr Leeson took out loss-making futures and options positions.

Meanwhile, the view has strengthened in the SFO that Mr Leeson is likely to face trial in Singapore rather than in the UK over his role in the Barings collapse.

The Singapore authorities have said that Mr Leeson forged two documents to cover losses of Y7.8bn (£54.54m) sustained on derivatives trading. They are considering widening their charge sheet.

The SFO believes that while its level of knowledge about Barings has "progressed" in the past month, it is still far from gathering enough evidence to press for Mr Leeson's extradition to the UK. Meanwhile Singapore has been given until May 2 – with a possible extension for another month – to present its full case for the extradition of Mr Leeson, who is imprisoned in Frankfurt.

The inclination of lawyers and police not to pursue charges against any individual other than Mr Leeson does not mean that executives of the bank have been cleared of lax management.

One UK investigator said yesterday: "The management structure at Barings was appalling."

Receivers wary of claims by 'fat cats'

Administrators and receivers in the UK face about £400m ($648m) in claims from former employees of collapsed companies, according to confidential figures presented to the government, Jim Kelly writes.

The Society of Practitioners in Insolvency (SPI), which collated the figures, refused to comment on the total but said most claimants would be what it called "fat cat" directors.

In an increasingly public campaign to persuade the government to introduce retrospective legislation to block the claims, the SPI said some directors might get more than £500,000 each. About 1,000 claimants would be "the major beneficiaries", it said.

In contrast, SPI said that former employees who had earned less than £18,000 a year, or £350 a week, stood to get nothing. Their claims would be largely mitigated by the state benefits they had received. "This is not about giving the working man his dues," said Mr Colin Bird, an SPI official and a partner with Price Waterhouse.

Mr Ian Bradbery, president of SPI, added: "Management failure is to blame for the collapse of many of the businesses involved. The people responsible for those insolvencies might now be rewarded for their incompetence."

SPI collected the figures from Britain's "big six" accountancy firms and Grant Thornton. About 13,000 cases have been reviewed in the last seven days. The £400m figure includes an estimate of claims faced by other firms. Unofficially it is understood that in about half the cases so far examined any claim would eventually cut payments to other creditors. In the other cases, which have been closed, the insolvency profession faces most of the claims.

The problem arises from a miswording in legislation which, after court judgements, means receivers and administrators are liable for some contracts of employees who lost their jobs through insolvency between 1987 and march 1994.

Wimbledon in warning over ticket 'racket'

By John Barrett

Organisers of the world-famous Wimbledon tennis tournament have warned companies contemplating corporate hospitality packages to check the validity of tickets they are offered for this year's event.

The All England Lawn Tennis Club has issued the warning in an attempt to prevent the embarrassment experienced by some blue chip companies at last year's championships, when their guests were refused admission.

Clifford Chance, the leading firm of solicitors, last year found that some of its guests, including Sir Gordon Borrie, were unable to gain entry.

A German businessman paid more than £50,000 for 35 tickets to entertain his most important customers only to find that every ticket was invalid.

Mr Chris Gorringe, Wimbledon's chief executive, said: "The last thing we want is to cause individuals and companies disappointment, embarrassment or financial loss – and this is very simply avoided by checking ticket validity prior to purchase." Tickets are valid only if purchased from the club or its agents and affiliated organisations and clubs, and used by the purchaser. Overseas sales are handled by Keith Prowse Hospitality in Europe and the Sportsworld Group in the US.

The only exceptions are the 2,100 tickets issued daily to holders of 1991-95 Centre Court Debentures. This unofficial but legal market, which provides the only clue about current market values, last year priced a pair of tickets for men's singles finals day at £2,000.

In 1990, in response to damage to the tournament's reputation from the growing number of ticket touts, the club introduced new conditions of sale to prevent individuals from passing on to a third party tickets they had obtained in the public ballot or through other official channels.

This did not prevent unauthorised organisations from persuading individuals to part with tickets to be used in unofficial corporate hospitality packages.

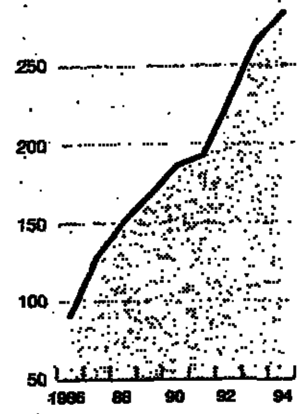
One of the companies which marketed the packages was Corporate Sports (UK), whose impressive list of clients included BT Business Communications, Federal Express (Europe), Mercedes Benz Finance, Renault UK and South African Airways.

Corporate Sports (UK) went into liquidation soon after last year's championships owing £550,000 to about 90 unsecured creditors – not all of the debts relating to Wimbledon.

Anyone with doubts about tickets this year's event – from June 26 to July 9 – should call the club at 44 181 944 1066.

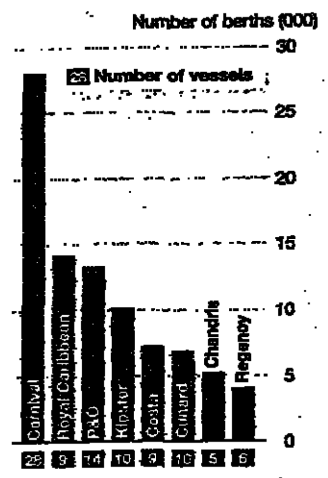
Cruising sets sail towards a new image

Cruising ahead

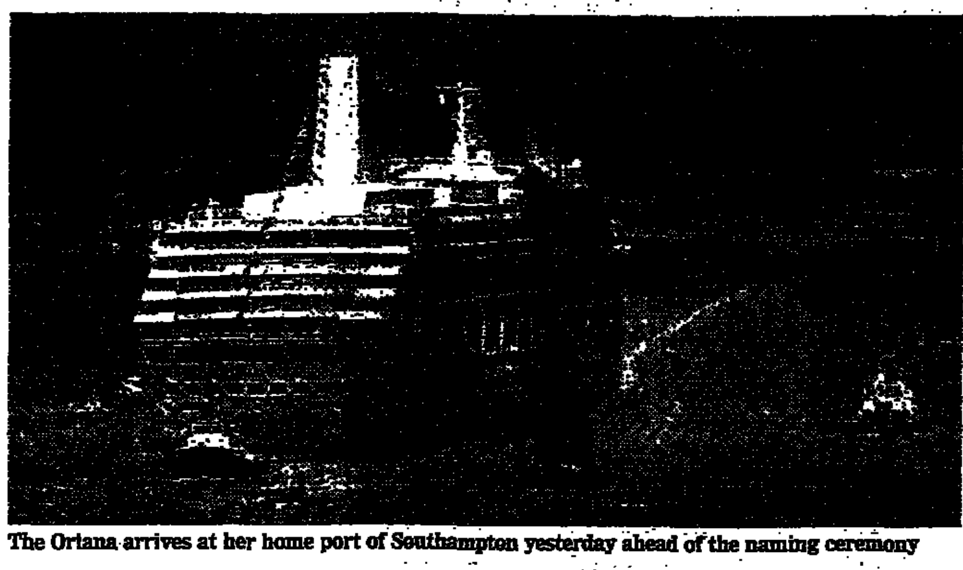


Source: Passenger Ship Association

The main players



Source: GP Wild (International)


The Oriana arrives at her home port of Southampton yesterday ahead of the naming ceremony

To Britons, the image of cruising is stuck immovably between the two world wars, a world in which blue-rinsed matrons and retired captains of industry swayed to the genteel rhythms of a palm court orchestra.

P&O, itself one of the grand old names from the shipping past, hopes Thursday's naming of the £200m ($324m) Oriana, the latest addition to its cruise fleet, by the Queen in Southampton will dispel that image.

There have been no concessions in the field of luxury – the Oriana boasts the biggest swimming pool afloat and a waterfall descending the full height of its four-deck atrium – but P&O is anxious to emphasise the high-tech nature of its newest vessel.

The Oriana is the fastest cruise ship built for more than a quarter of a century. An advanced hull design and stabilisers will provide a smooth journey for the 1,800 passengers and 760 crew relaxing or working on its 14 decks. Amenities include a West End-style theatre with revolving stage, full orchestra pit and individually air-conditioned seats.

With accommodation for 1,760 people – 1,975 if all the additional berths in cabins are put to use – the Oriana will add about 10 per cent to the capacity of the UK cruise market. This has prompted fears that operators could be forced into discounting.

But the UK cruise market has grown by an average 12 per cent to 15 per cent a year in the past decade, slowing to 7 per cent last year, and the majority view is that the Oriana's additional berths will soon be filled. Mr David Dingle, marketing director at P&O Cruises, believes last year's slowdown was the direct result of a shortage of capacity.

Because the cruise industry cruising draws so many of its customers from among the wealthy and those established in business it has proved better able to weather recessions than other sectors of the tourism industry. Cruise Passengers are typically people with savings rather than those struggling with a mortgage.

Industry observers expect most new growth to come from the lower-priced end of the market, fuelled by the entry of Airtours, the travel and airline group, and CTC, a Ukraimian-owned cruise line.

The US – the biggest cruise market with 4.6m passengers last year compared with 283,000 in the UK – has already made considerable progress in capturing younger customers. This is partly because the US does not have a European-style package holiday market of the type which appeals to young people or those with young families in Europe.

P&O's US arm, Princess Cruises, and rivals such as Carnival, the world's biggest cruise operator, with its "Las Vegas at sea" concept, appeal to a younger clientele.

Although the Japanese have yet to take to cruising in a big way, it is growing rapidly both in its traditional market, the US, and in the UK and Germany, the two most enthusiastic cruising nations in Europe. More than 30 cruise liners worth a total of $7.5bn are on order around the world and the 69,000 tonne Oriana will soon be overtaken by several 100,000 tonners.

The pressure to renew fleets will increase after 1997, when tougher safety guidelines agreed under the International Maritime Organisation are applied to cruise liners and ferries. These are intended to reduce the danger of fire, which is still the biggest threat to a vessel at sea.

The destruction by fire of the Italian-owned Achille Lauro in the Indian Ocean last December showed the potential for disaster, although the speed of the evacuation meant it was accomplished with minimal loss of life.

Provided the cruise sector can maintain its image of value-for-money luxury, and a solid reputation for safety, it seems set for growth. Even in the US, only 5 per cent to 10 per cent of the population have taken a cruise, according to a NatWest Securities review.

Charles Batchelor

NEWS: UK

Nuclear power station wins extension

By David Lascelles, Resources Editor

Nuclear Electric, the UK power generating company, has received permission from the nuclear industry regulators to extend the operating life of its Hinkley Point A magnox power station beyond 30 years.

The move makes it likely that several other magnoxes will be granted longer lives, which will improve their financial returns.

The magnox stations were the first generation of UK commercial nuclear power stations. Although they have never been fully commercial, the longer they can operate, the bigger the provisions they can accumulate to pay for their decommissioning costs, which are likely to be large. The Nuclear Installations Inspectorate said yesterday that it was satisfied it would be safe to run Hinkley Point A's two reactors beyond 30 years, a point they reached on March 31.

Although the NII gave no final date, it said that no safety factors had been identified which would limit the life of the station to less than 40 years. But the life extension is conditional on NE carrying out work to enhance the safety of the station, and on satisfactory results from regular tests and inspections.

The next stations coming up for consideration are Sizewell A and Dungeness A, which are similar to Hinkley A, and Nuclear Electric said yesterday that it hoped to receive clearance for these as well. The later magnoxes at Oldbury and Wylfa were built with more robust concrete pressure vessels, and are also strong candidates.

The NII's move comes as the government is in the final stages of its review of the nuclear industry. Although the magnox stations are not candidates for privatisation, the extension reflects well on the technical and managerial abilities of Nuclear Electric. The extension is also good news for taxpayers, who will have to cover any shortfall in the budget for decommissioning the magnox stations and cleaning up their waste.

James Capel, the stockbrokers, said yesterday that the government could privatise Nuclear Electric with its five newer technology advanced gas-cooled reactors (AGR) and its recently commissioned pressured water reactor (PWR) at Sizewell B.

In a report on power generation, the firm's analysts said privatisation was both feasible commercially and desirable from the broader perspective of energy policy. Concerns which had prevented the government selling off nuclear when the rest of the electricity industry was privatised in 1989 had been resolved. Uncertainties about long-term liabilities had been removed, operating costs had come down, and Sizewell B was operating successfully.

Portillo praises German strategy to curb inflation

By David Marsh, European Editor

Mr Michael Portillo, one of the government's leading Euro-doubters, yesterday said Britain should adopt German-style economic policies and work closely with the European Union to increase jobs.

Speaking to German and British businessmen in London, the employment secretary criticised unnecessary EU bureaucracy and government intervention, but otherwise adopted a conciliatory tone on Europe.

Although Mr Portillo did not cast off altogether his Euro-sceptical clothing, he revealed a soft spot for Germany which many of his audience did not expect.

Mr Portillo scotched the idea that Britain would ever decide to leave the EU, and said Europe had sufficient "imagination" to accommodate different views among its members about moving towards European federalism.

He refused to be drawn on questions about economic and monetary union. The UK would make up its mind about joining Emu at the appropriate moment. This, he said, was unlikely to be in 1997, the first date set for Emu by the Maastricht treaty.

In his speech, at a lunch organised by the German-British chamber of industry and commerce, Mr Portillo paid careful tribute to Germany's anti-inflation policy as well as its emphasis on training and skills. "Stable, economic systems must be based on sound money. Germany has long realised this economic fact of life."

At times, Mr Portillo appeared to be following closely the last paragraph – "We should be nice to the Germans" – of the notorious memorandum about Germany written for Mrs Margaret Thatcher, the then prime minister, in March 1990.

He acknowledged differences on social policies between the UK and Germany, but said the two countries had much in common. "The UK admires Germany's success. Indeed we wish to emulate you. Imitation is the highest form of flattery." The UK wanted an economy based on the "German example". His goal was "a high productivity, highly skilled highly paid workforce."

Turning to EU policies on employment and social affairs, Mr Portillo said any future regulations had to pass the dual test of helping Europe become more competitive and of creating new jobs.

Weak pound forces up costs of raw materials

By Robert Chote, Economics Correspondent

The weakness of the pound put fresh upward pressure on industry's raw material costs last month, even though growth in factory production appears to have slowed.

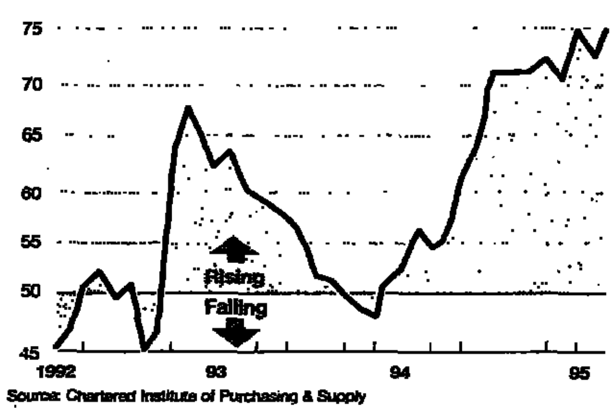
The Chartered Institute of Purchasing and Supply said yesterday that a majority of purchasing managers had reported a further rise in the cost of materials, fuels and semi-manufactured inputs in March. Its monthly prices index rose to the second-highest level on record.

Evidence of resurgent price pressure will be examined tomorrow when Mr Kenneth Clarke, the chancellor, meets Mr Eddie George, the governor of the Bank of England, to discuss interest rates. No immediate rise in rates is expected, although both the Treasury and the Bank are worried about the weak pound.

The institute said input prices had been pushed higher because the weak pound had raised the sterling cost of imports, and companies had difficulties in obtaining supplies. Plastics, chemicals, papers and metals were all more expensive.

Input prices rose most rapidly in consumer goods industries, where the growth in output and orders was slowest. Price pressures were relatively subdued in capital equipment, while output grew most quickly for intermediate goods used in other products.

Input prices



Source: Chartered Institute of Purchasing & Supply

The institute's leading indicator of inflation predicts a small but significant rise in the rate of price increases in the next year, but with a slowdown before 1997.

The survey showed that factory production grew in March, but slightly less fast than in the previous month. Order books showed a similar pattern, prompting purchasing managers to step up their buying to avoid supply difficulties and to pre-empt impending price increases.

Suppliers took longer to deliver goods, reflecting shortages of commodities and bottlenecks in the manufacture of components. Stocks of finished goods shrank as production in many companies failed to keep up with demand.

In an attempt to expand capacity, a fifth of companies surveyed took on more employees in March, although the increase was more subdued than in the previous month.

The picture of slowing growth in March was backed by the latest narrow money supply figures from the Bank of England. They showed the annual growth rate of notes and coins in circulation falling to 5.9 per cent in the year to March, from 6.1 per cent in the year to February. The rate of increase in the month alone was stable at 0.5 per cent.

UK NEWS DIGEST

Exchange plans more disclosure

The London Stock Exchange has proposed that for the first time, market makers no longer be allowed to hide large stakes in the UK's largest companies.

The proposal follows controversy over the marketmaking activities of Swiss Bank Corporation at a time when its corporate finance arm was involved in preparation for a bid for Northern Electric. Although SBC was cleared of any wrongdoing by the exchange, it acknowledged the need to review its rules.

Also the exchange is understood to have been under pressure from other securities regulators which have been concerned that the rules allow investors to be misled. The regulators are considered unlikely to be satisfied with the proposals issued yesterday, preferring to see disclosure of stakes in smaller companies as well.

The new rule, if adopted, would require market makers to disclose stakes of three percent or larger in shares of the FT-SE 100 companies. Alternatively, it said, the exemption could be lifted for market makers who acquire stakes of three percent or more in all companies.
Norma Cohen, Investments Correspondent

Labour leader sacks spokesmen after trip

Mr Tony Blair yesterday sacked two of his frontbench spokesmen for missing two votes while travelling in Turkey and Iraq without the party's permission. Mr Blair, leader of the main opposition Labour party, who has repeatedly made clear his belief that the party must improve its discipline to win the next election, sacked Mrs Ann Clwyd and Mr Jim Cousins from Labour's foreign affairs team after a series of tense meetings at Westminster.

The MPs said they were asked to observe the Turkish invasion of northern Iraq, by the office of Mrs Tansu Çiller, the Turkish prime minister.

Officials said Mr Blair decided after seeing the MPs individually that they deserved the sack for missing important votes on the disability discrimination bill and a Labour attack on government education policy. They also missed a session of foreign questions in the House of Commons. *Kevin Brown*

Farmers union warns over live exports

Many farmers in England and Wales will face an economic crisis if the the courts do not uphold their legal right to export live animals for slaughter and veal production unhindered, counsel for the National Farmers' Union told the High Court yesterday. Mr Charles Haddon-Cave said it was difficult to exaggerate the gravity of the potentially disastrous situation since the port of Dover had banned exports and animal rights protesters had threatened other outlets,

There had already been a dramatic drop in calf prices and an adverse effect on lamb which could be expected to steadily worsen. A collapse in beef prices in 18 months was inevitable unless something was done. The NFU "strongly supported" the UK's biggest exporter of live animals to the rest of Europe, Peter Gilder & Sons, which is asking the court in a test case to rule that the ban imposed by Dover Harbour Board since January is unlawful and invalid. *PA News*

Defence officials hit by entertainment ban

Officials at Britain's Ministry of defence have been banned from accepting entertainment invitations from arms companies, MPs were told last night. In testimony to the public accounts committee, Dr Malcolm McIntosh, chief of defence procurement at the defence ministry, admitted that controls had been lax in the past.

Last month the national audit office, the public spending watchdog, issued a report highly critical of defence ministry safeguards against corruption. Of £22m ($35.64m) worth of fraud currently under investigation, at least £3m related to the case of Mr Gordon Foxley, a former director of ammunition procurement. Mr Foxley was sentenced to four years' jail last May on 12 charges of receiving corrupt payments totalling £1.3m.

Meanwhile final development of a new £250m communications system for British Army's 30,000 vehicles and command centres, called the Vehicle Integrated Communications and Information Distribution System, (VICDS) has been put back for three years. The delay is to "meet risks identified in the original programme and to align the programme with the Bowman." Bowman is the new personal communications network being developed for the army. *John Kampfner and Bernard Gray*

Widening plan for London orbital route

A compromise plan to widen part of the M25 London orbital motorway to 12 lanes was announced by the government yesterday. At the same time it announced a study of transport connections between central London and its three main airports at Gatwick, Stansted and Heathrow.

Among proposals under consideration in the study, by the Department of Transport and private sector representatives, are a privately financed road/rail link for air travellers, in which a number of interchanges would be built on main roads into the capital.

This would allow travellers to switch from car to train and check in luggage before completing their journey to the airport by rail.

Mr Brian Mawhinney, Britain's transport secretary, said that the M25 would be widened from eight lanes to 12 on its busiest stretch between junctions 14 and 15, close to Heathrow airport.
Charles Batchelor Transport Correspondent

BUSINESSES FOR SALE

GREEK EXPORTS S.A.

(A Subsidiary company of "E.T.B.A. A.E.")

ANNOUNCEMENT

OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR PURCHASING THE ASSETS OF "GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E." NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 17 Panepistimiou Street, and legally represented, in its capacity as special liquidator of GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E., in accordance with Decisions No. 854/1.12.1994 and 74/23.1.1995 of the Piraeus Court of Appeal, and following the written statement (Ref.No.974/EX/23.3.95) of the creditor of para.1 of art. 46a of Law 1892/90 to the effect that the offers submitted were deemed unsatisfactory by the creditors and, in accordance with para.11 of the same article

ANNOUNCES

a Repeat Public Auction for the Highest Bidder for the purchase of the total assets, either as a whole or each of the four separate entities indicated below, of the company entitled GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. (established at 76 Athens-Piraeus Street at Neo Phaleron, Attica) within the framework of article 46a of Law 1892/1990, supplemented by article 14 of Law 2000/1991 and modified and completed by article 53 of Law 2224/1994.

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

GABRIEL - SPINNING & WEAVING MILL OF NEO PHALERON A.E. is a perpendicular and adaptable spinning and weaving unit which produces synthetic, mixed and woollen yarns, clothing material and knitwear. It has a dyeing - finishing installation for materials and knitwear, substantial technical know-how and a constant presence in the fashion market where it has a good reputation.

The company's assets for sale consist of the following four (4) self-contained units which are for sale either as a whole or each separately:

First entity: The company's main factory building (spinning & weaving mill) situated on 76 Athens-Piraeus Street at Neo Phaleron.

Second entity: The factory for processing yarns and materials (dyeing-finishing) situated at 3 Davaki-Pindou Street at Neo Phaleron.

Third entity: The factory producing woollen and synthetic yarns in the Nea Lampsaka area of Chalkis.

Fourth entity: Stocks of raw materials, ready and half-finished products, etc.

Detailed information on the company's assets included in each entity is to be found on pages 35-36 of the Confidential Offering Memorandum to which you are referred. It is to be noted that: a) the "GABRIEL" trade mark, the total claims by the company as well as the furniture and equipment in the Thessaloniki agency and in the Kallithea warehouse are included in the assets of the first entity and b) the machinery (58 spindles, etc.) which is in the factory of PIRAIKI-PATRAIKI CHALKIS WEAVING MILL A.E. is included in the assets of the third entity.

TERMS OF THE AUCTION

1) Interested parties are invited to receive from the Liquidator the Confidential Offering Memorandum dated 2/2/1995 and the draft Letter of Guarantee in order to submit a sealed, binding offer to the Kallithea notary public assigned to the auction, Mrs. Iordana Morfoniou (24 Harilaou Trikoupi Street, Athens, 5th floor Tel. & Fax: +30-1-362.6788) up to 1200 hours on Thursday 27 April, 1995.
2) Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered.
3) The offers will be opened before the above-mentioned notary on Thursday 27 April 1995 at 1300 hours with the liquidator in attendance. Persons having submitted offers within the time limit are also entitled to attend.
4) Each interested investor can submit either one bid for all the elements of the company's assets, or separate bids for the purchase of one, two, three or all four (4) entities.
   The offers must state clearly if they concern the whole of the assets or separate entities, the offered price and manner of payment (in cash or on credit, the number of instalments and when they are to fall due, etc.) If there is no mention of a) the manner of payment, b) whether the instalments will bear interest or not, then it will be assumed that a) the amount will be paid in cash, and that b) the instalments will bear interest at the rate in force for Greek state bonds of one year's duration on the date of submission of the offer.
   Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontrovertible discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than the others.
5) On penalty of invalidity, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, of indefinite duration, to the amount of two hundred and ten million drachmas (Drs. 210,000,000) if they concern the whole of the company's assets. If they refer to separate entities then the amounts are as follows: a) ninety million drachmas (Drs. 90,000,000) if the offer concerns the main factory complex on 76 Athens-Piraeus Street at Neo Phaleron; b) fifty million drachmas (Drs. 50,000,000) if it concerns the factory on 3 Davaki-Pindou Street, Neo Phaleron; c) forty million drachmas (Drs. 40,000,000) if it concerns the factory at Nea Lampsaka, Chalkis; and d) thirty million drachmas (Drs. 30,000,000) if the offer concerns the company's stocks.
6) Forfeiture of guarantee: In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract within twenty (20) days of being invited to do so by the Liquidator, and abide by the obligations contained in the present announcement, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors with no obligation on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
7) Return of letters of guarantee. Letters of guarantee submitted for participation in the auction shall be returned immediately after adjudication, except for the letter of guarantee of the highest bidder to whom it shall be returned on signature of the final contract.
8) Prospective buyers must submit, together with their offer:
   a) A five-year business plan of action for the operation, modernisation and development of the enterprise.
   b) An investment programme (height and type of new investments, time-plan for its implementation and manner of financing).
   c) Personnel employment policy and programme for guaranteed job positions (number, duration, time-plan).
   d) Data concerning the interested buyers with regard to their financial standing and their business activities to date.
9) Essential guidelines for the liquidator in judging the offers are, among others, the following:
   a) The height of the offered price.
   b) The number of guaranteed job positions for at least the first five (5) years after signature of the contract.
   c) The buyer's business plan and investment programme.
   d) The reliability, solvency and business experience of the prospective buyer.
   e) Any benefits accorded by the prospective investor to the unit's personnel.
   f) Guarantees provided by the buyer for any part of the sale on credit and for other obligations undertaken (job positions, new investments, etc.) through the contract.
10) The highest bidder is the one whose offer has been evaluated by the liquidator and judged by the majority creditors as being the most satisfactory.
11) Prospective buyers of the three factories, with their offer, must undertake the obligation to keep the units operative for at least five (5) years from the date of signature of the contract.
12) For securing the payment of any amount on credit and all points contained in the business plans of prospective buyers (job positions, height of investments, time of starting, etc) as well as other terms agreed upon, the buyer must accept relative clauses and provide guarantees which will ensure adherence to all undertakings. In order to secure any part of the payment on credit (beyond the other guarantees provided) the buyer shall deliver to the liquidating company a letter of guarantee from a bank to an amount of at least 20% of the part on credit.
13) The Company's assets and all the separate fixed and circulating assets that make them up, such as immovables, movables, claims, rights, etc, whether they are to be sold as a whole or as separate entities, shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company is operating or not.
14) The Liquidator, the Company under liquidation and its creditors who represent 51% of its total obligations, are not liable for any legal or actual faults or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum.
15) Interested buyers must, on their own responsibility and due care, and by their own means and at their own expenses, inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale.
16) The Liquidating company and the Creditors bear no responsibility or obligation towards participants in the auction, both with regard to the evaluation of the bids, the selection of the highest bidder, the decision, if any, to cancel or repeat the auction and any other decision in general regarding the procedure and execution of the auction. The submission of a binding offer does not imply any right in the adjudication of the sale and, in general, participants do not acquire any right, claim or demand from the present announcement and from participation in the auction, against the liquidating company or the creditors for any cause or reason.
17) All costs and expenses of every nature for participation in the auction and for the transfer of ownership, as well as all taxes, duties, dues, state fees or third party fees that may be imposed (beyond the exemptions foreseen by law) relating to participation in the auction and to the sale contract, anything following the sale, transcriptions and any other acts, are borne exclusively and alone by the interested buyers and the highest bidder respectively.
18) Participation in the auction implies acceptance by the prospective buyer of all the above terms of the present announcement.
19) The present announcement has been drafted in Greek and in English in translation. In any event, the Greek text shall prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to:

a) GREEK EXPORTS S.A.,
   17 Panepistimiou Street (1st floor), Athens, Greece, Tel: +30-1-324.3111 - 115 Fax: +30-1-323.9185
b) INDUSTRIAL RECONSTRUCTION ORGANISATION,
   234 Syngrou Ave, Athens, Greece, Tel: +30-1-952.5540-9 Fax: +30-1-956.8788.

FINANCIAL TIMES SURVEY

AN A-Z OF EXECUTIVE EDUCATION

Tuesday April 4 1995

Need is growing for strategic visionaries

The management education sector has survived the recession with few outward scars and the immediate outlook is encouraging, writes Tim Dickson

"It's no longer simply about putting backsides on seats. It's about selling companies and individual managers a lifelong educational partnership."

Appropriately perhaps, it was a marketing professor who last month summed up the current challenge for European business schools in this way.

Implicit in the observation – made to middle and senior ranking executives in Switzerland – was the acknowledgement that fast-moving markets, changing technologies and more demanding customers are not just academic niceties for the professor and her peers. The management education industry itself has become a laboratory for its own ideas.

The current turmoil, of course, is not visible in the form of mothballed lecture theatres, redundant academics, or even the wholesale transfer of teaching activities to cheap, "offshore" locations.

Campus costs have certainly come under pressure, executive backsides for some courses are in short supply, and the flood of young business professionals wanting to study for the Master of Business Administration qualification has, at least temporarily, been checked.

Thanks in large part to the income from companies which turned to business schools for help in implementing their "change" strategies, however, the management education sector has survived the recession with relatively few outward scars.

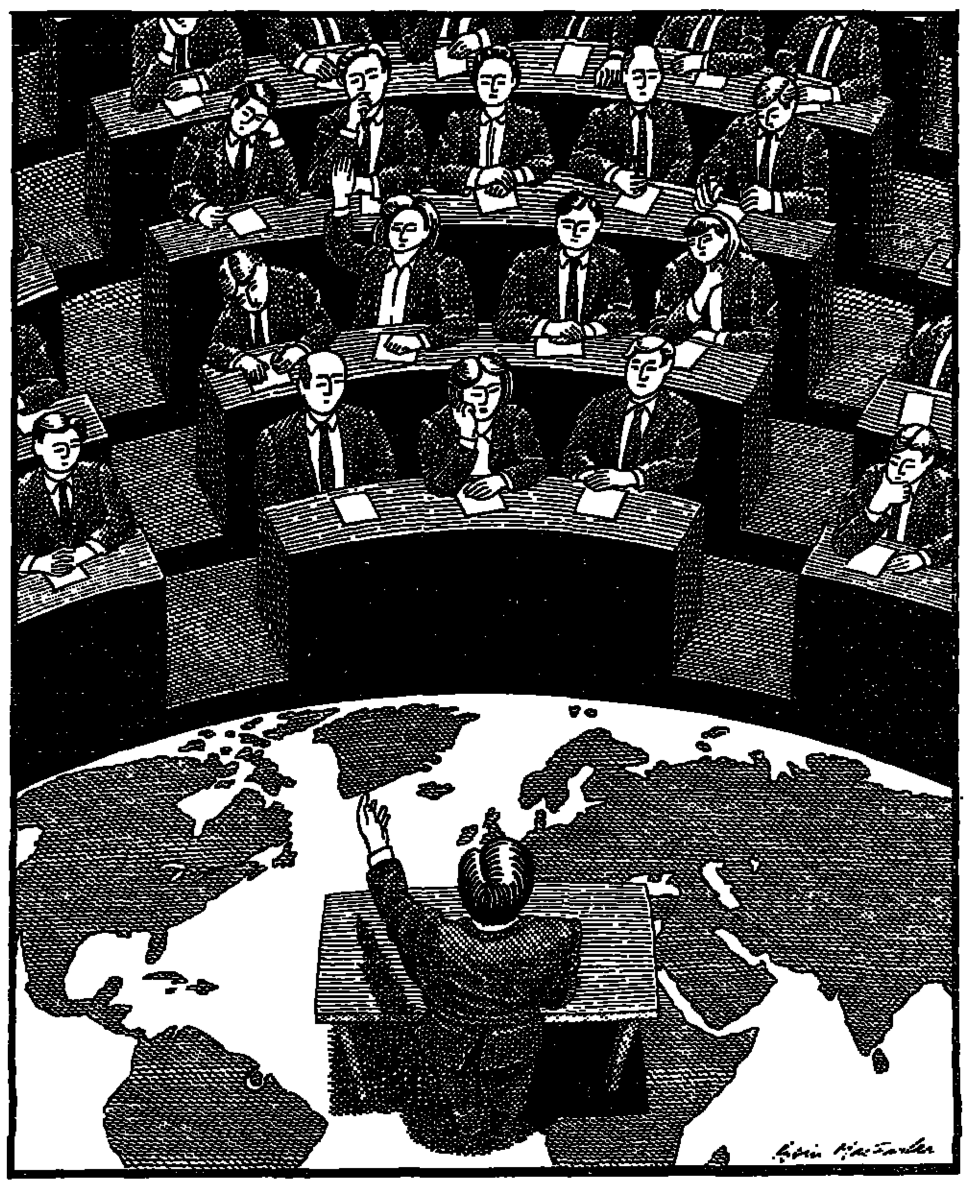
The immediate outlook is also encouraging. As growth prospects brighten, demand for managers with international horizons, broad skills and a clear vision – attributes that the best schools claim to provide – is greater than ever. If the tight clamp imposed on training budgets is loosened even a little, enlightened companies should start practising what they preach and invest more money in people.

The structural changes in the market for executive education, though – changes which are likely to intensify – are already altering many traditional assumptions and imposing new pressures even on fleet-footed institutions. The changes include demands for shorter and more relevant courses, the impact of new technologies on teaching methods, the onus on managers in organisations to take responsibility for their own career development and the fragmentation and increasing rivalry among trainers, developers and educators.

All these trends to some extent stem from recent changes in the nature of management itself: to a more complex, more ambiguous, more demanding activity. Today's executives need to be strategic visionaries, empowering other people to cope with the challenges that lie ahead. Increasingly, however, they are also expected to be able to implement and deliver results immediately.

Reliable figures showing the size of the management education industry simply do not exist. Much of the money spent on executive training – probably the bulk of it – is in effect "hidden" in the training budgets of those big companies, such as IBM, which run regular "in house" courses. Such courses are typically led by a mixture of company representatives, consultants and hand-picked academics.

Business schools have traditionally been the main "outside" suppliers of management education, offering a combination of "open" courses (to which anyone can apply) and so-called company specific programmes, typically involving a management team from a single business. The recession of the early 1990s substantially shifted the schools' product mix towards these "tailored" courses aimed at companies which want their specific problems and challenges – and those of their industry – kept in sharp focus.



"For the first time in our history these programmes have reached 50 per cent of our total income," says Mr Mike Osbaldeston, chief executive of Ashridge in the UK. "I would not be surprised if it gets to 60 per cent this year."

Cranfield University School of Management, also in the UK, reports a similar trend. Since 1989 the school's income from executive education has doubled and represents 52 per cent of its total turnover. Of that income, more than two-fifths comes from in-company programmes.

Mr Antonio Borges, currently co-dean at Insead but due to take sole charge at the Fontainebleau-based business school later this year, expects competition for company specific programmes to intensify in the next few months as more players, notably accounting firms and management consultants, enter the market. Gemini, Andersen Consulting and Arthur D. Little are among those already encroaching on traditional business school territory.

Management consultants – through their consultancy assignments – have the perfect springboard for developing and selling training programmes into individual companies.

As in every industry, the winners will be those who not only respond to – but correctly anticipate – client needs.

Short "open" programmes – in which managers can usefully mix with peers from different industries and different cultures – will no doubt survive under a business school banner.

Increasingly, though, companies are pooling resources and forming consortia to meet their own management education needs. "In part, this is driven by a recognition that companies have much to learn from each other and that exposure to the ways of other businesses is one of the most effective methods of genuinely broadening horizons," says Mr Michael Hay, dean of executive education at London Business School.

Flatter management structures pose an additional challenge for companies and educators alike. Traditionally programme styles and content have been predicated upon clear organisational hierarchies: the more senior you became, the more general the approach to learning. Today, however, managerial roles are defined less in terms of the levels in an organisation, more in respect of areas of activity and capability. The terms middle and senior manager can mean vastly different things in different companies.

An increasing emphasis on cross-functional thinking in big organisations, moreover, means that the traditional courses on, say, marketing, finance or human resources are only of interest to low-cost providers. Integration (providing a more holistic view of the enterprise), internationalisation, innovation and implementation are the 1990s buzzwords in course design – but as one business school dean recently insisted: "The one thing you can't do is to keep running the same programmes.

Continued on next page

A

A foot in two camps

ACADEMICS

Getting academics to do anything is, in a famous phrase, equivalent to herding cats. Business academics are no exception.

The system of tenure gives senior academics complete autonomy. Most like to make full use of it. But business academics have a foot in two camps – the real world of business and the equally real, if occasionally more abstract, world of academe.

This dual role is best exemplified by the frequent criticism that business academics concentrate on narrow, esoteric research with little relevance to business. There is some truth in that, and many academic institutions will go out of their way to show that their research is immediately relevant to business and to emphasise how much stress they place on teaching ability.

But the importance of narrow research is not solely the fault of academics. The rules of the academic game are that if they are to progress in their careers they must demonstrate published original research. One way to be original is to be esoteric.

Although some institutions make great efforts to reward teaching skills, there are relatively few academic plums for being an effective, likeable and amusing teacher.

But, of course, teaching skills are what the paying customer wants (as well, it is true, as access to leading edge research). Organisations offering management development programmes are increasingly careful to ensure they offer them.

Academics are usually evaluated by the students they teach and a growing number of institutions publish those evalua-

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A foot in two camps

Continued from previous page

tions. Particularly poor performers are likely to receive remedial help of some kind, either informally by colleagues or in formal programmes.

Only the best teachers appear on executive development programmes. Facing a class of hardened managers is generally accepted as a tough assignment. Younger academics are likely to cut their teeth on MBA classes – not something that MBA students, themselves a hard-nosed bunch, always appreciate.

Another occasionally controversial issue surrounding business academics is the fact that many of them also act as consultants. In most of their contracts they will have a specified amount of time, typically one day a week, in which they are free to pursue their own interests. This may involve research, writing, consulting – *ie* sharing their theories and ideas with a company in order to improve its performance – or simply extra-mural teaching.

There are two reasons for this freedom. First, by being in close contact with the business world academics in theory avoid the "ivory tower" syndrome and are able to bring real business issues into the classroom. Second, it allows them to top up their salaries and enables business schools and other organisations to attract top academics when their pay may be limited by national pay scales.

However, this freedom can bring problems. There is concern, for example, that freelance consulting by academics may hinder their organisation's ability to win consulting projects.

Some top academics have established lucrative consultancy work on the back of their academic renown, yet bring little back to the school that nurtured their success. Academics who teach outside their institutions may also stand charged with using the organisation's resources (such as their teaching materials) for their own use.

In some schools these concerns have grown to the extent that there are thoughts of making academics declare their outside interests in a way not unlike that imposed on legislators. But all this is not to suggest that academics who teach business and management issues are not just as concerned as their counterparts in other disciplines with academic rigour and responsibility to their students.

Moreover, academics in business schools have been the key players in imposing order on the essentially chaotic subject of management. They have provided real insights for practising managers, developed and passed on theories that have had immense positive benefits for companies and their employees, and inspired many managers to perform well above what they thought their capabilities to be.

Still life in Ps and Qs

ACTION LEARNING

Though action learning is often used as a catch-all phrase to refer to a variety of learning approaches, it is a specific way of handling the development of managers and executives.

It was developed in the UK after the second world war by Reg Revans (originally in a report about training in the coal mining industry). Revans suggested that learning consists of two components. The first he called "programmed knowledge", or P, which is acquired formally from books and lectures. The second is "questioning insight", or Q, based on experience and creativity. The Q element is important is seeking solutions for unfamiliar problems. Action learning plays down programmed knowledge, and the role of consultant or business school professor is usually that of group facilitator. However, it is also assumed that programmed knowledge is absorbed during the process of defining, debating and solving a problem.

Action learning takes place, therefore, between groups of managers who come together to discuss real problems. In the light of their experience (Q) and with some input of theory (P) from a facilitator, they seek to come up with a solution and then, crucially, put it into effect. The group will also evaluate the results of that action. Action learning has been described as teaching people to "act themselves into a new way of thinking".

Surprisingly, this rather woolly and long-established concept is finding increasing favour in the 1990s in business schools and consultancies – not least because in a time of change, few problems have historical antecedents. All solutions require creativity based on wide experience.

In "pure" action learning, members of the group each bring a problem that the others seek to solve. This is typical of two programmes at Ashridge Management College – action learning for chief executives and for women directors.

Philip Hodgson, who leads the chief executive programme, says that, though they are highly effective at senior levels, action learning techniques can also be used lower down the organisational chain.

Often, the question or problem that the group engages with comes from an external client rather than from within the group. In management development terms this may involve managers working as part of team on a project within a company to advise on a solution to a problem. Action learning techniques also appear frequently in tailored programmes designed for specific companies.

It would be wrong to suggest that the action learning approach is taking management development education by storm. Traditional lectures and case discussions still dominate. But for an idea now half a century old, action learning is showing surprising life.

Manchester Business School runs a course for those who have just joined the board (see: Director Education)

B

Clichés may be true

BROADENING

One of the key claimed benefits of management development programmes is that they "broaden" those who attend. This is said to be particularly so for general management programmes and especially for open, or public, programmes, where participants come from a wide variety of organisations.

The comment that "I learned more in the bar than in the classroom" is a cliché; but most clichés are true.

The ability of managers to mix and compare themselves with others and "take risks" in an environment away from colleagues and superiors is a key element in management development. Although mainly of benefit to individuals, it helps their organisations, too.

Managers grow in confidence and perception and this should translate into their performance back in the workplace.

But in-company programmes can have equally positive results. In a large organisation, few managers know all their peers. Bringing them together, especially if programmes are run in a company training centre or hotel, can reproduce most of the benefits of open programmes. And an added advantage is that managers can establish an intra-company network.

Broadening was probably the key component of general management programmes a decade ago but Arnoud De Meyer, associate dean for executive education at Insead in France, detects a trend that may be affecting that.

"Broadening is still an important issue," he says, "but increasingly managers want something they can take back to their offices and use next week. So programmes have to be a bit more action-oriented."

C

Teaching at the top

CEOs

Providing management development for the top man or woman in a company is an exercise fraught with difficulty.

Within companies, senior human resource executives or others concerned with management are very unwilling, as one has put it, "to tell them they don't make a very good role model or don't know anything about finance".

And providers of management development are also aware that executives at the most senior level do not really want a formal programme but more an opportunity to discuss issues with their peers – one reason why action learning type programmes are so popular at this level.

Even so, programmes for chief executives are on the increase and there is a strong belief that development at this level is both needed and possible. Indeed, demand for such programmes reportedly rose during the recession as top managers began to realise their own vulnerability.

Mr Murray Steele, who leads senior-level programmes at Cranfield School of Management, comments: "You *can* develop the top manager and there is a definite need to develop them. It is a flaw in British management that assumes once you have a seat on the board you are beyond further development."

But programmes do have to be carefully structured. Essentially, they aim for three things: to get CEOs to stand back from their business and consider it more objectively; to examine their own management styles and, especially, to receive feedback from others on the programme, though some organisations also offer one-on-one assessment.

More typically, the Haas School of Business at the University of California at Berkeley organises two-day executive briefings where, by invitation, CEOs and other senior executives are brought together at a hotel for in-depth briefings and discussions.

Consultants and other independent management development organisations also frequently offer this kind of event.

For them all, though, the problem is often persuading CEOs to come along – and not just because of work pressures. They want to be sure they will be among their peers. The first thing they tend to ask is: "who else will be there?"

Harvest is nearly over

CHERRY-PICKING

Cherry-picking is a phrase that describes the attempt by some companies to develop in-house development programmes simply by stringing together bits of open programmes.

They decide on what they are trying to achieve, what sort of information they need to put across and then they go out to see where (usually a business school) it is on offer. They then "cherry pick" the professors or lecturers they want and invite them to deliver their business school lecture inside the company.

Since business academics, especially those with a "name", can usually command high fees for such services and because little additional work is involved, the practice is not unpopular. Companies like it because it is cheaper to bring professors to a large class than to send large numbers of managers to open programmes. On the whole, business schools do not like it for the same reason – it can deny them income.

However, there are suggestions that the era of cherry picking is coming to an end. Companies are demanding rather more than an off-the-shelf lecture.

Management development is increasingly seen as something closely geared to fundamental corporate objectives. So companies want programmes and even individual lectures that are finely tailored to their specific needs.

A recent survey by Ashridge Management College, Trends in Management Development, reveals a decline in companies which are hiring "gurus" to deliver standard business school lectures and a corresponding increase in demand for personal needs development.

D

Superior attitude

DIRECTOR EDUCATION

It can be a question of psychology when dealing with director education. Call something a course and directors won't attend, thinking courses are for subordinates. But use the word symposium or seminar and it's a different matter. Such terms smack of participation rather than straightforward learning.

But Dr Carla Millar, director of the management development centre at City University Business School, doesn't believe that such an attitude is arrogance. "Because they are aware of a need for training their staff, they often feel they learn by a process of osmosis."

Directors, says Dr Millar, whose centre has a course comprising seminars for directors of audit in its Internal Audit programme, often prefer individual consultancy.

Though there are several courses for director education at business schools and management colleges, the most structured training is conducted under the auspices of the Institute of Directors. Its centre for director development runs over 40 short courses and workshops along with distance learning for directors covering issues involved in company direction and personal development. Qualifications offered include the IoD Diploma in Company Direction and the Masters in Company Direction, in conjunction with Leeds Metropolitan University.

Since last year new directors have been able to take part in a Joining the PLC Board course. The two-day course is run by Henley Management College, Manchester Business School and Ashridge Management College in association with the IoD.

Flexible and popular

DISTANCE LEARNING

Distance learning is riding the waves of more modular structures in management education, the shift in emphasis to self-development, and the enthusiasm for continuous learning. Its sheer flexibility has made for a rapid growth in popularity.

While the market leader in this type of tuition remains the Open University, several business schools and management colleges now offer courses in the form of distance learning.

Not only does the facility give them students who would not have the time to undertake courses, it also encourages overseas students.

Distance learning is already gaining currency fast for MBA study. Last year the Association of MBAs estimated that 9,000 people were studying for an MBA via distance learning.

E

Hard-headed approach

EVALUATION

Given the amount of money that companies spend on management education, it is hardly surprising that there are growing calls for proofs of its benefits. The old adage about advertising is that companies know that half is worthless, but

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Need for strategic visionaries

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The market is very sophisticated; everyone is familiar with what was being taught two to three years ago."

Internationalisation has many meanings in management education these days – from the composition of faculty and student numbers to case study subject matter and general curriculum content.

As business schools struggle to prove their credentials in all these areas, it is only natural that the sector itself should be becoming more global in character.

Hence the growing interest of North American schools in the European market – both as a short-term source of new clients and a long-term investment in fresh case material. The University of Chicago Graduate School of Business, for example, began its executive MBA at Barcelona last year. Taught on a part-time basis in four two-week and six one-week modules spread over 18 months, the course is taught by the Chicago faculty and offers four weeks of study with student counterparts in Chicago.

In June the Fuqua School of Business at Duke University is set to start a six-week global executive programme – in three sessions – at sites in Europe, south-east Asia and the Americas. Most intriguingly perhaps, the Michigan Business School, which claims to be the biggest executive educational establishment in the world, has announced that it is launching what it calls a global MBA from next September.

The idea is to bring together faculty, students and teams from Europe, Asia and the US using advanced communication technology: a combination of interactive video, shared application computing, electronic messaging and computer conferencing.

European rivals are naturally sceptical of the North Americans' international credentials – but, if nothing else, the Michigan initiative demonstrates that low tech teaching in the form of poorly produced slides and non-interactive hard copy cases will be insufficient for tomorrow's world.

If technical innovation is one imperative, another important business issue for schools is identifying their customers. Research into its 1994 open programmes carried out by Cranfield showed that in 53 per cent of cases the "suggester" was the participant himself or herself and in 30 per cent of cases it was the line manager. The training manager was only responsible for only 17 per cent of decisions.

Increasingly, it appears, the onus is being placed on the individual manager, particularly at more senior levels, to appraise his or her own capabilities, identify areas where training is required and take the initiative in acquiring it.

Such individuals these days are both mobile and insecure – participants often judge courses on their ability to provide skills which are transferable between organisations – and they increasingly recognise that business education is an integral part of a manager's life.

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AN A-Z OF EXECUTIVE EDUCATION III

Hard-headed approach

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unfortunately not which half will not do in management development.

This hartier-headed approach has provoked a response. Traditionally, suppliers of management education have refused to provide companies with reports or feedback on the performance of their managers on a course. Companies were forced to administer their own post-programme debriefings, measuring career progression and personal visits to schools and institutions to get some idea of their effectiveness.

Now providers of management education are prepared to become much more involved. On tailored programmes especially they will work closely with a client company to assess the benefits. Most have no option. Few companies would be content to start a new programme or continue with an old one without this kind of co-operation.

Open programmes are beginning to take a similar approach. Business schools and others that offer public programmes will sit down with companies to discuss the aims of particular programmes and the likely benefits to a company's managers and to its business. Many will offer advice on how to get the most from a participant's new knowledge and experience when they return to the company. At Ashridge Management College tutors visit participants in their workplace over a nine-month period following a programme.

In the UK, probably one of the most detailed evaluation processes has been developed by Sundridge Park Management Centre, based in Kent. Sundridge's Performance Improvement Process (Pip) uses identical pre-course, post-course and follow-up questionnaires to elicit how much participants felt they knew about a subject before attending a programme, immediately after it, and three months later. Sundridge also uses the questionnaire results to identify parts of a programme that may not be as effective as others.

F

Clues for managers

FINANCE PROGRAMMES

As a core subject for any manager, a vast array of courses awaits potential students. Open programmes, company schemes and courses geared towards the manager unfamiliar with much finance along with those leading to recognised financial qualifications vie in a highly competitive area.

Business schools often work closely with financial institutions and standard setters on tuition and qualifications. City University Business School has one of the most extensive range of finance courses and largely targets those working in the City of London. In conjunction with the Securities Institute it teaches the Securities Institute Diploma and the Securities and Futures Authority's registered person's qualifications. It hosts more generally based courses too, including the Banking and Financial Management Summer School.

The International Centre for Banking and Financial Services at Manchester Business School works with the Chartered Institute of Bankers to run one-week credit programmes, along with providing programmes for development for middle and senior management in financial services. In common with most business schools and management colleges, it also guides non-financial managers through the complexities of accounting and corporate finance, so that those not directly involved in the financial heart of a company will appreciate more clearly the financial impact of their business decisions.

London Business School says that many senior managers are embarrassed to admit that their financial knowledge is poor until they attend courses and find plenty of others are in the same position. Its financial seminar for senior managers is largely taught by the accounting faculty rather than finance so that the starting point is where most newcomers to finance will enter – the profit and loss figures.

Ashridge Management College, in Berkhamsted, Herts, is among the leading schools in its genre

G

The alpha and omega

GENERAL MANAGEMENT PROGRAMMES

These are not just the flagships of management education, they are the dreadnoughts. They are what management development is fundamentally about – preparing individuals to take on broad management responsibility, usually after a successful period in a functional position such as a financial, technical or marketing manager.

As such, they tend to concentrate on two areas. They introduce managers to the other functional specialisations in which they have no expertise. And they attempt to teach the basic elements of the interpersonal skills so essential to managing – leadership, team playing, negotiation and so on.

The two are interrelated. General managers need a reasonable understanding of the technicalities of the various functions below them; and they need to know how to interact with both subordinates and their peers.

The growth of much flatter organisations as a result of downsizing or delayering – essentially removing several strata of middle managers – has increased both the need for and the demands on general managers.

Most reputable organisations will offer courses suitable for individuals about to enter a general management position. The grandfather of them all, of course, is Harvard's Advanced Management Programme, which has a price tag well above $30,000 for 11 weeks but also numbers some very distinguished alumni.

Rule worth following

GRIND

Some people will always try to treat executive education – particularly sessions away from the office – as just another holiday. But these days they will almost certainly be the exceptions. While there is a strong case for creating a relaxed learning environment – by dressing down, for instance, and allowing time for social interaction – a good course administrator will always ensure that there is a full and varied timetable. Those who routinely take their work home on the train will not be put off by "homework" – good preparation is essential to full involvement in the next day's discussion – but getting to know other participants on an open programme for the first time (or even adapting to colleagues outside the company) can impose additional strains. The best rule to follow: the more you put in, the more you get out.

Teamworkers often clash

GROUPS

Most business schools combine class teaching and classroom discussion with work in smaller "groups" for both their MBA and executive courses. Take IMD in Switzerland. Typically, the 50 or so participants on its programme for executive development are divided into groups of five or six which, in turn, are used as the basis both for team-building exercises and more detailed dissection of case studies.

Team-building is often supported by the results of "type indicator" questionnaires, such as those devised by Katharine Briggs and Isabel Briggs Myers in the mid-1970s and later by Meredith Belbin. Learning to work with other people – and understanding individual strengths and weaknesses – is a key aspect of management development but it can be painful. IMD changes the composition of teams every week but strong personalities sometimes clash.

An absence of guidance

GUIDES

The market for executive education is not as well served by consumer guides as, say, that for MBAs.

There is talk that both the Economist Intelligence Unit and publishers Kogan Page are planning to produce guides. The EIU last produced one (*On Course for Success* – covering Europe and North America) in 1992.

For the most part, buyers (and potential participants) must scour bookshops or (as is often the case) rely on MBA guides for an insight into business schools and other organisations.

For Europeans, one fruitful source is the European Foundation for Management Development, based in Brussels. The EFMD publishes a range of guides and reference books on executive education. The EFMD is at 40 rue Washington, B-1050 Brussels: tel: 32-2648-0385; fax: 32-2646-0768.

A positive new wave

GURUS

Back in 1982 the magazine International Management complained: "Where have all the management gurus gone?" It lamented the fact that at that time no-one of similar stature had come along to match Frederick Herzberg (motivation), Douglas McGregor (Theory X and Theory Y) or Robert Blake and Jane Mouton (the managerial grid).

The magazine was perhaps fortunate (or maybe unfortunate) in its timing. For the rest of the 1980s saw the beginnings of an explosion in gurus that continues to this day. Names such as Tom Peters (excellence), Michael Porter (competitiveness), Rosabeth Moss Kanter (change), Charles Handy (change) and Henry Mintzberg (strategy) are known to and (perhaps not the case with earlier gurus) *read* by executives around the world. And new ones are arising all the time.

Gary Hamel, Sumantra Ghosal, Yvez Dos, John Stopford and others were recently lauded in an Economist article about "Eurogurus" (though Hamel is an American). The article also noted the rise of the corporate guru, citing such well-known business leaders as Carlo de Benedetti and John Harvey-Jones.

Whether the proliferation of management gurus has any significance for management development is open to debate. Gurus do not often take a Friday afternoon class in strategic management. They lecture, of course, but usually for large sums. However, there can be little doubt that the wave of management gurus that has arisen over the past decade or so has had a positive influence both on management practice and the perception of management as something worthy of study.

An A-Z of Executive Education

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H

A shift in strategy

HUMAN RESOURCE FUNCTION

There are two ways of approaching human resources and management education. One is to look at the human resource approach to the training. The other is to look at the type of course available to human resource managers.

As companies emerge from recession, most are taking an austere view of any request to attend an external MBA course. While recruiting an MBA-qualified manager is one thing, releasing and sponsoring such managers for lengthy development courses is not high on corporate agendas of human resource departments.

Perhaps the main reason behind the contraction in the market for business-sponsored candidates in management schools has been the desire among companies to develop in-house bespoke training programmes geared to the products, services and processes of the parent company.

Mr Alan Warner, managing director of Management Training Partnership, a consultancy which specialises in tailor-made programmes, says that companies have been shying away from sending their managers on MBA programmes, partly because of cost and partly because of the time investment needed.

"The dominant HR strategy has been to develop the managers that companies want in-house. Companies do not want to invest in qualifications that their managers might take elsewhere," he says.

The partnership is involved in management training at Unilever. "With a company of that calibre, if you have been through its graduate training it may well count for more than some outside qualification," Mr Warner says.

Some business schools now offer courses specialising in Human Resource Management. Cranfield School of Management has just launched a specialist MBA option in European Human Resource Management, a specialist programme to be run jointly by six business schools and universities across Europe.

I

Learn the message

IN-HOUSE PROGRAMMES

In-house programmes are the alternative to sending executives away for residential training courses.

They offer the opportunity for improved cost-effectiveness, and for tailoring a programme precisely to the needs both of the organisation and of the individual managers covered.

But they also require considerably more effort. In-house programmes are becoming more popular, but often in combination with short courses offered by established external business schools.

It also helps, on grounds of both cost and effectiveness, if the programmes can achieve a "critical mass".

Mr George Davies, a director of Cambridge Management Centres, which designs programmes for companies, says: "Programmes are at their most powerful when you have a group of more than 100." Participants can emerge from a specially tailored programme "suffused with the corporate culture".

But cost is a problem for smaller companies, and Mr Davies says that while an in-house programme can usefully be run with only six or 12 participants, the greatest benefits are with larger numbers.

He suggests that in-house programmes are an effective tool for working against the status quo. Companies which want to make a sharp culture change or shift policy can first determine their needs, and then ensure, using consultants or academics, that they all collectively take courses to learn the new message.

Otherwise, standard generalist courses may make more sense – these also allow interchange with executives from other companies.

Reputation builders

INTERNATIONALISM

The tendency among many companies not only to ask for an MBA but to ask where it was gained has not gone unnoticed by the schools and their potential students.

So how is an international reputation achieved? Part of the job is getting the name of the school known abroad. This will involve promoting the organisation and its research at international conferences and seminars. Research publications, course quality and the cosmopolitan composition of the student intake are also important.

London Business School, for example, has 40 different nationalities on its new MBA intake and about 60 nationalities in the whole faculty, possibly the most international mix of any of the world's business schools.

The LBS summer project will involve travel to 26 separate countries. In addition, some 40 students are embarking this month on a programme in eastern Europe to advise companies on how they can improve their exports to the west.

It also helps if schools have an internationally renowned business guru on board or if they can gain a reputation in publishing.

Warwick Business School, which has built up a strong reputation for its research work, is about to begin publishing bulletins on hot topics for business executives but it does not produce a regular magazine.

Prof Bob Galliers, the Warwick chairman, says: "It would be pointless to try and publish a rival to the Harvard Business Review as some US schools have attempted to do. The Harvard Review is on the chief executive's desk and he's not going to look for anything else."

Manchester Business School says schools must ask themselves whether they are attracting international students. Manchester's intake breaks down at 25 per cent UK, 15 per cent from other parts of the European Union, and 60 per cent from the rest of the world.

J

Corporate graffiti

JARGON

Management education is becoming steeped, as is management itself, in business jargon and rhetoric that has been described by Prof Tom Robertson, marketing director at London Business School, as "corporate graffiti".

Ideas that he lists as in vogue during 1995 include: Activity-based accounting, benchmarking, business process re-engineering, codes of ethics, core competencies, empowerment, lean manufacturing, market driven and

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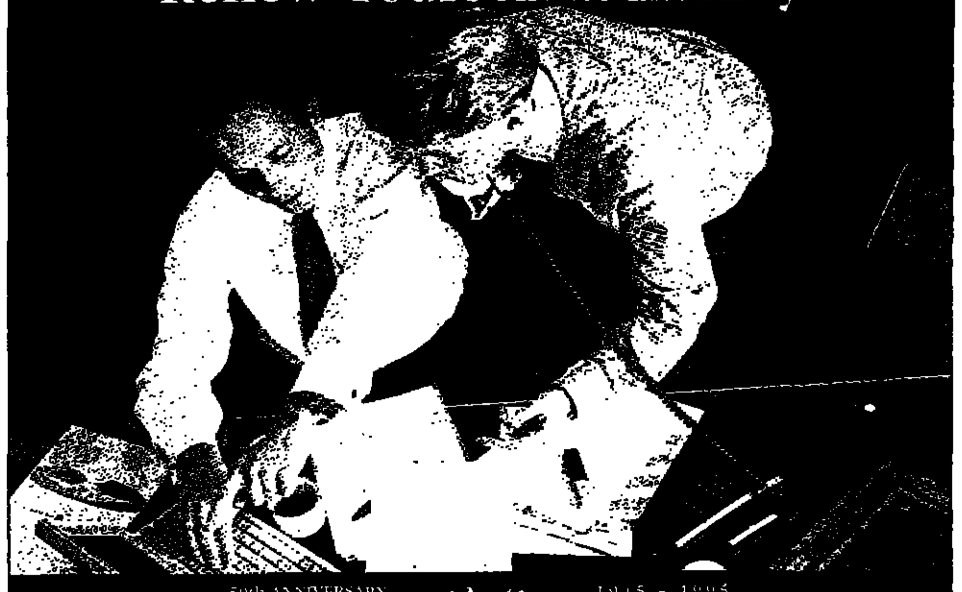

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Corporate graffiti

Continued from previous page

close-to-customers, relationship marketing, strategic alliances and networks, time-based competition and total quality management.

In the spring edition of the school's Business Strategy Review, Robertson goes on to ask what happened to the holy grail of a few years ago which included ideas such as Theory Z, zero-based budgeting, intrapreneurship and skunk works.

He points the finger at business school academics and management consultants for generating this changing lexicon of businessspeak. On the supply side academics are responsible for the ideas and consultants for branding them as a basis of competitive differentiation in their firms. On the demand side, says Robertson, is a receptive audience of managers perennially searching for simple "branded" answers, adopted with fervour and dropped without regret as they move to the next hot concept.

He has noticed that the language of these fads is adopted in company newsletters, reports and advertising in what he calls a "graffiti response", often without substance. All annual reports, he says for example, look as if they have been written by the same person.

K

Before it's in textbooks

KNOWLEDGE

While possessing an international reputation is clearly essential to the lifeblood of the top business schools, achieving that reputation usually comes down to the quality of the research it undertakes.

Prof Bob Galliers, chairman of Warwick University, says: "*If you are a student at business school you do not want simply to regurgitate textbooks – the sort of things you can get at the Heathrow* airport bookshop. I call it the Heathrow school of management. We need to be at the cutting edge of business knowledge, researching material so that our students know a subject *before* it gets into the textbook."

Galliers does not see the research role as one where the schools should be leading or following business practice, but in working closely with business so that both can equally feed off each other.

This policy is pursued *closely by London Business* School. At present, it runs an executive development programme where Marks & *Spencer and four other* companies in different sectors put their executives into each other's companies to learn *from the way they run* their respective businesses.

All the schools, however, look somewhat enviously at the Harvard Business Review, which has established itself in company boardrooms as a fount of business knowledge.

L

Chance to sell abroad

LANGUAGE TUITION

Language tuition for managers is a growing industry, with private providers and trainers competing for business while the UK government also provides support.

The bland assumption that exporters who can speak English are shielded from the need to learn any other languages is losing ground as new markets in eastern Europe and China come to the fore.

A report produced for the UK's Department of Trade and Industry in 1993 showed that a third of small UK exporting companies had missed opportunities because of linguistic barriers. In the Netherlands, only 4 per cent of exporters had experienced the same problem.

In response to this, the department now offers "language audits", checking on *companies' requirements*, and current problems. This usually results in recommendations for tailored, individual tuition.

The focus is now moving from providing in-house clas*ses or subsidising employees* to take evening classes. Instead, managers assess specific language needs of individual staff, *and then invest* in intensive courses, often one-to-one, to help them reach a given level.

Private providers also offer *briefings* on broader cultural issues to help executives adapt to doing business in a different country. Courses are also available which concentrate on business vocabulary.

The products offered by the Centre for International Briefing, based in Farnham, Surrey, are typical. The centre offers residential courses on a one-on-one or, as a maximum, one-on-two basis. Tuition comes in five-day modules, with the aim being intensive immersion. Subjects on offer include a range which English-speaking executives might once have ignored, such as Hungarian, Indonesian, and Malay.

Accelerated learning

LENGTH OF PROGRAMMES

One of the most pervasive trends in management education over recent years has been the shortening of programmes *offered by business schools* and others.

There was a time when academics argued that only a *three-month in-residence pro*gramme could allow the time and ambience for managers really to absorb new knowledge. That, however, has proved to be too much for both companies and their managers.

At a time when companies have downsized to the extent that remaining managers are working under heavy pressure, companies simply cannot allow them to be away from the office for such lengthy periods. Similarly, managers themselves are increasingly loth to be absent for so long – partly because of pressure of work and partly because of perhaps understandable insecurity.

As a result, the majority of senior level programmes that may have lasted 10 or 12 weeks have now been cut to no more than half that. Even when programmes do last for considerable periods, they are often *split into separate modules* of more manageable length. The more specific, functionally based courses are even shorter, *perhaps only a few days*.

The Kellogg Graduate School of Business of Northwestern University outside Chicago is typical of many top-ranking schools. Its flagship general management programmes, the Advanced Executive Program and the Executive Development Program, last for just four weeks and three weeks respectively. A program called Pricing Strategies and Tactics lasts just three days.

Kellogg has gone further than some schools and now offers what it calls the Kellogg Management Institute. This is in effect equivalent to the *Advanced Executive Program* but is taught for one full day on two Fridays a month between September and May.

Mr Arnoud De Meyer, associate dean for executive education at Insead in France, says his school constantly tries to identify the parts of its programmes that are the most important added-value elements for managers. Insead is also "sending a lot more background and pre-programme material to participants before they start to offer as parallel options parts of programmes that may not be equally important for all managers," he says.

M

Demands get tougher

MARKETING

As marketing grows into more of a cross-organisational responsibility, so the demands on courses are getting tougher. And added impetus for high educational standards comes from the ever-growing competition in marketing, particularly in sectors such as financial services.

Issues such as relationship marketing and brand values are high on the teaching agenda. More voices are calling for greater education in marketing, especially in financial areas. Mr Raoul Pinnell, director of Marketing at NatWest, recently delivered a damning indictment on the quality of marketing in financial services, saying that it had lost its way, being concerned too much with advertising and too little with the consumer.

Managers are waking up to the central role of marketing in their companies' development and taking a keener interest in education.

Manchester Business School offers a diploma in marketing, ratified by the Chartered Insti*tute of Marketing*, that stretches over five weekends. The course started last year and condenses tuition that is *normally offered part-time and* spread over a year.

City University Business School runs specialisms in advertising and handling the media in its marketing courses.

Specialised marketing programmes are also available in short courses. London Business School's Civil Aviation Strategic Management and Marketing is one example.

No need to stop work

MBAs

Modular is the name of the *game in MBAs and there is a* rapid growth in distance learning. MBAs, for long viewed by some as too academic and *time-consuming*, are becoming more user-friendly.

Many more business schools are offering a flexible approach to this qualification in response to demand from students and potential students. Short learning blocks are available along with evening and weekend study. It is no longer necessary to give up a job to take an MBA.

IT gets noticed

MULTIMEDIA

A decade ago, it was said that having an expensively paid academic spend an hour or so in lecturing a single class of students about basic economics or accounting was a remarkable expenditure of resources in an age of information technology.

Yet the management development industry has been, in some eyes, remarkably slow to take advantage itself of IT at a time when this technology has had such sweeping implications within business. That situation is now changing rapidly.

Video courses, such as those produced by John Cleese and Video Arts, have long been a part of basic training but interactive learning has taken much longer to establish itself.

Computer simulations and business games on computer have become key parts of most management development programmes and many organisations, such as Henley Management College, are now using variations on E-mail, such as Lotus Notes, to bring distance learning students together and to help follow-up once programmes are over.

But the real development in using IT has come with the growth and increased availability of multimedia CD-Rom. These compact disks, used with a fairly straightforward PC, allow data, sound and video images to be accessed in a way that is for the first time truly interactive.

To be honest, their full potential has still to be realised (and a number of doubts are raised about their true effectiveness), but equally, many academics believe that multimedia will have a profound effect on management education and the structure of business schools and other providers.

Some believe that realising the full effects of current and future multimedia and IT technologies could result in "virtual" business schools that have more to do with the dissemination of knowledge and information than with a physi*cal location*.

Current work on multimedia learning tools is widespread. For example, Xebec Multi *Media Solutions in the UK has* produced a series of CD-Rom training packages and there are other similar producers in the market. On the business school scene, Harvard is working on CD-Rom-based case studies, as is Insead, based just outside Paris.

Insead, which developed its first multimedia cases in 1992, is probably the most advanced. According to Mr Albert Angehrn, professor of information systems at Insead, CD-Rom can provide several hours of video and animation, thousands of photographs, pages of text, graphics and *charts*.

Insead first based its multimedia cases on the idea of an "electronic book" that allowed *students to* browse, mark, annotate and search for specific topics or people in the text. They also allowed direct access to related images and videos – the real difference that multimedia brings. For example, the Swatch case allows students to compare North American and European advertising approaches by watching video clips, which appear in a small "window" on the computer screen. Students can also watch the steps *involved in product develop*ment and see a short interview with the product manager.

Newer cases have become increasingly sophisticated and less structured. Mr Angehrn argues that the editing implicit in writing down a case is being removed. Students are now able to look at a company unbiased and with as much information as they want. They can access real financial data on a company via spreadsheets and carry out "what if" analyses.

In one marketing case they can evaluate advertisements and advertising campaigns by changing the style of advertisements. The computer will suggest the likely results. In other words, they approach the case like real-life managers.

N

Reskilled for a return

NVQ

The latest set of initials to arrive in the UK's training environment is NVQ – National Vocational Qualification.

Although they are generally perceived as a vehicle for improving the standards of training in particular technical crafts and skills, they are now increasingly recognised as a relevant and useful tool for re-skilling middle managers.

The NVQ system awards standardised qualifications to trainees once they have demonstrated specified levels of competence in the workplace. Five levels of NVQ are available, of which levels 3 (supervisory management), 4 (first line management) and 5 (middle management) all have particular relevance for training and monitoring middle managers.

Each level includes a series of "units of competence" which trainees must satisfy. To do this they must be assessed by their peers, making it easier to monitor their progress.

For example, level 4 includes four "key roles" – managing operations, finance, people and information, which are broken into 26 elements of competence, such as "establishing and maintaining the trust and *support of one's subordinates*". All 26 must be passed to win the qualification.

This makes NVQs useful for training unemployed managers returning to work, as they both ensure broad experience during brief work placements, and act as a guarantee to potential future employers.

A pilot scheme run by the University of Central England in Birmingham earlier this year succeeded in finding jobs for 13 of 20 managers who took NVQ level 4 in an intensive 18-week period. Most had been unemployed for more than a year, after amassing more than a decade's experience.

● *For further information contact: National Council for Vocational Qualifications, 0171 387 9898.*

O

All walks of life

OPEN PROGRAMMES

The primary focus of open programmes – in which individuals come together from a variety of companies and business backgrounds – is to enhance individual development. By mixing with managers from *other industries* and other countries, taking stock of themselves in the company of others, experimenting away from the *critical eyes* of colleagues, individuals can gain in confidence and pick up new ideas which will augment their contribution when they get back to the office.

The downside of open programmes – particularly where the topic is general management – is reconciling the needs and interests of people with a variety of functional experiences. Teaching finance to non-finance specialists is easier than leading a course in these subjects if the audience includes, say, marketing, personnel and environmental managers as well as engineers and accountants. Some sponsor involvement in the content of open programmes is possible, but a downside for some organisations is that the curriculum is largely outside their control.

Open programmes have borne the brunt of management education cuts during the recession. Some business schools have contemplated pulling out of this market completely – but Insead, for one, claims that many of its general programmes now have waiting lists.

P

High fees in the US

PRICE

Executive programmes at business schools can be phenomenally expensive. The one-week Human Resource Executive Program at Stanford business school in California costs $5,000 including lodging; the flagship Stanford Executive Programme costs $27,500, though that, too, includes lodging for just over six weeks on Stanford's beautiful Californian campus. Still, a two-year MBA at the same school will cost only about twice that (though without the lodging).

Programmes at less well-known schools tend to be correspondingly less expensive and in general European *schools are somewhat cheaper* than their US counterparts.

Management education comes perhaps most cost-effectively via the distance learning route – though even this is not cheap for a reputable programme. For example, The Competent Manager, a base course in the MBA offered by the Open Business School, costs £2,350.

The costs of tailored in-company programmes are much more problematical. Generally, these are reached by negotiation. However, some suppliers argue that even though much more time is spent on developing in-company programmes and that they are not repeatable in the way open programmes are, companies are very *reluctant to spend more* (and often want to spend less) than they would on sending managers to open programmes.

There has been some debate about just how high charges for management development programmes can go before they meet market resistance. This concern is most marked on MBA programmes, where a significant number of participants pay their own way, rather than on programmes where companies pick up the bill.

Exactly how management development programmes are costed depends on the individual provider. But a glance through the various brochures on offer suggests that the fee to the customer is based more or less on adding inflation plus a bit for luck to last year's prices.

A buyer's market

PROVIDERS

In the fast-growing market of management education there is no shortage of providers. And as it is very much a buyer's market, those providers are having to work increasingly hard to tailor their courses.

Of respondents to last year's Institute of Management study – Management Development to the Millennium – 96 per cent said that academic institutions needed to become more responsive to the needs of industry and 85 per cent thought organisations would demand shorter courses that required less time away from work.

And the shift in balance from education being largely a company responsibility to the *onus falling on the individual* is creating further pressure for flexible providers. Karen Cole co-ordinated the research on *the Millennium* project. She says: "So many companies are saying that they are downsizing or delayering that really you are on your own. Employers can afford to sit back and take advantage of the well-trained individual."

Universities, business schools, management colleges, consultants and in-house training are the primary providers of management education.

Although business schools still rule the roost, there has been a big growth in independent providers. The Association for Management Education and Development has *estimated that there are some* 10,000 independent providers of training and education in the UK with a net *inflow of* about *1,000 a year*.

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AN A-Z OF EXECUTIVE EDUCATION V

Q

Debasing the currency

QUALIFICATIONS

Qualifications are the currency of management training, but they are less fixed than they used to be.

For a start there are more providers. The UK's higher education system has doubled in size in the last decade, and business studies is one of the most popular courses on offer from the "new" universities (mostly former polytechnics). Their mission is to help their local economies, with the result that many now attempt to offer high-grade training for middle managers in local companies, where previously there was a gap in the market.

Training in the workplace has been aided by the advent of National Vocational Qualifications, which provide a framework to chart the course of an employee's accumulation of experience. This means private providers and employers can now also have an input in awarding qualifications.

All providers are offering more technical "niche" management qualifications, and spreading towards the public sector – with certificates available for running legal firms, schools, or doctors' practices.

More profoundly, traditional training and education providers in old universities and business schools are changing the structure of their courses. They are becoming more flexible to suit customers, which means more "distance learning" – often using on-line technology – and evening classes. The fact that after rapid expansion the UK's Open University, a pioneer of open access learning, is now the largest provider of MBAs in Europe, demonstrates the trend.

R

If growth is allowed for

RECRUITMENT AND RETENTION

At a time when "jobs for life" are becoming less prevalent, training opportunities are increasing valued by employees who are aware of the need to demonstrate up-to-date skills to potential employers.

However, some businesses are concerned that by giving employees marketable skills, they risk losing their highest flying staff. This is often a problem if the employer fails to provide opportunities and challenges that allow employees to build on their skills.

A commitment to training is inadequate unless it is coupled with one to career development. However, the combination may play a powerful role in recruiting and retaining good employees. "Organisations that allow people to grow provide the right psychological framework to allow people to stay," says Gavin Barrett, marketing director at Sundridge Park, in Bromley, Kent.

It's hard to get back

RE-ENTRY

The measure of success of an executive programme is how well the training can be put into action when the manager returns to work. But all too often, it is a difficult transition. A course may rapidly lose its relevance if managers return to desks piled with work, colleagues who think they have been on holiday and bosses who have a "not invented here" attitude to new ideas.

Many companies appear to show little interest in the outcome of a course. A survey by Sundridge Park found that fewer than 40 per cent of participants on management programmes had been debriefed by their line manager or human resources department following their course.

It argues that a failure by a company to cater properly for the re-entrant nullifies much of the benefit of the training. The problem can be particularly acute if senior managers do not give their personal backing to the success of a training programme. In cases where the chief executive "owns" the training initiative, organisations tend to get better results from it.

The difficulties of re-entry can also be eased if all the people working in a department or on a particular project receive the training. This concept of "vertically integrated" training is gaining ground with some companies.

The training provider can also have an impact on the re-entry problem. One solution is for the school to work with the company before the course to prepare the organisation to make full use of what the managers have learned when they return.

Follow-up sessions are another way of helping executives put their newly-learned skills into practice. Managers stay in touch with tutors who monitor their progress through action planning reviews, refreshers and in-company projects. Cranfield, for example, organises a one-day follow-up event at the end of each general management programme.

S

Games that people play

SIMULATIONS

Simulations are viewed as a powerful learning vehicle because they expose users to the consequences of decision-making in a realistic but risk-free environment. Moreover, they are often used as a tool to promote team working.

The first business games were used in management education in the 1950s and 1960s. However their growth has been rapidly recently as a result of increased awareness, increased computer literacy, their cost-effectiveness and a wider range of available games.

Simulations range from outdoor exercises used to promote leadership, planning and team-work skills to role-plays designed to develop particular interpersonal skills. Most simulations, however, are based on computer models, which allow participants to explore the consequences of business decisions against a particular industrial or commercial background.

Some companies use models based on their own business for training purposes. Harbridge House, a consulting arm of Coopers & Lybrand, has designed a simulation for General Electric which deals with questions of performance, capital expenditure approval and strategic direction by presenting real issues unfolding in time.

Since participants are learning about real-life management rather than analysising theoretical issues, they are expected to translate what they have learned more effectively in the workplace.

Special needs

SMALL AND MEDIUM-SIZED COMPANIES

Many owner-managers in ambitious small and medium-sized companies have a particular need for management education. While some acquired managerial skills at an earlier stage in their careers, many are entirely self-taught and have few experienced managers within their organisation on whom they can draw for support.

Taking the time to undertake executive training can be difficult for owner-managers. But a number of courses, including those sponsored by the Training and Enterprise Councils, are designed specifically to fit their needs.

For example, Cranfield School of Management runs a business growth programme every year, which takes place on alternate weekends over four months.

The course, which costs £4,000, relates issues such as marketing, strategy, recruitment and delegating to the participants' own businesses and experience.

Warwick Business School also runs a Business Growth Programme aimed at owner-managers of growing companies. It consists of monthly workshops and consultancy sessions, running over a 12-month period. Its aim is to develop the "vision, strategic thinking and effective management skills" needed by the owner-manager or managing director of a small or medium-sized enterprise.

T

Insular viewpoint

TAILORED PROGRAMMES

In the drive for shorter, more cost-effective training programmes, companies are often keen to specify the content of training courses. A recent study undertaken by Ashridge Management College, based in Berkhamsted, found that just over half the companies it surveyed planned to use more programmes tailored to individual learning priorities.

The advantage of a tailored course is that they are designed to meet a company's specific requirements. For example, they are often used as part of an organisational change programme, where they provide an opportunity to change the corporate culture.

However, tailored courses may have disadvantages. Students do not meet their counterparts from other companies and they do not get a view of what happens outside their company.

Although companies may feel that they obtain greater value-for-money from tailored courses, they are not necessarily a cheaper option. Providers of training often believe that companies underestimate the amount of preparation they require.

Designing a course requires close collaboration between the company and the training provider. Cranfield, which provides in-company programmes through its Management Development Unit, researches programmes by interviewing senior managers and participants to establish their current level of knowledge and to understand how they view the issues. Sometimes, a course designer will shadow a business manager to get a greater understanding of the issues involved.

Cutback pressures

TIME

In many companies, managers' workloads have increased to a point where their absence on lengthy training courses would put too much pressure on their departments.

These time pressures, together with the demand from companies for more focused training, are tending to lead to shorter management development programmes.

A good example is a new six-day programme designed by IMD in Switzerland called Orchestrating Winning Performance. To be held over a long weekend in late June/early July, the aim is to provide a complete overview of the school's latest research and allow participants to tailor their own learning by choosing from a number of optional sessions.

First steps in trainers

TRAINING CENTRES

Many large companies have their own training centres where they organise in-house development for their staff. Courses range from induction for new employees, technical skills, inter-personal skills and developmental workshops as part of a programme of cultural change.

But at a time when organisations are concentrating on their core businesses and outsourcing peripheral parts of their operations, the role of in-house trainers is being questioned. Many companies prefer to go outside for relevant training, as and when it is required.

One advantage of using external suppliers is that it guards against excessive introspection. A training company or university should be able to benchmark a company's training needs, using its experience gained from a wide range of companies. Sending individuals on an open programme will have further advantages by exposing them to their counterparts in other companies.

But training centres are likely to continue to have a role. They are often the most efficient way of teaching large numbers of people technical and professional skills. In large organisations, in-house courses also have a role in promoting networking, building relationships and inculcating the company's culture.

U

Fresh air therapy

UPHILL STRUGGLE

Outdoor management training can make a harsh contrast to the sedentary life of many managers, by exposing them to tasks such as raft building, emergency rescue and night search exercises. Enthusiasts argue that it presents more than just a physical challenge: it introduces people to new experiences, it builds team-work and imbues a sense of achievement.

Such courses are popular, although they have been affected by budgetary restraint and the emphasis on concentrating on an organisation's specific training needs. A survey last year by the UK's Industrial Society found that 38 per cent of respondents use such courses extensively or occasionally.

About 40 companies in the UK provide adventure programme training for organisations seeking to develop teamwork among their managers.

Manchester Business School, for example, offers outdoor leadership courses, based in the Lake District, as an optional part of its company programmes. "Leadership activities provide additional opportunities for course members to test and extend their individual skills in planning and carrying out group tasks in an unfamiliar environment," it says. "Personal development is a frequent by-product of this challenging opportunity."

A frequent criticism of outdoor training programmes is that participants find it hard to transfer the skills they learn to the workplace. Many courses spend more time discussing the outcome of the outdoor activities as doing them. Sundridge Park, for example, organises a leadership course in which one and a half days is spent outside and three days in the classroom.

Another aspect of outdoor training programmes that has come under criticism relates to courses that encourage rivalry between teams. Psychologists argue that courses that emphasise competition between teams can be counter-productive because they have a demoralising effect on some participants.

V

Subjective drawbacks

VALUE-FOR-MONEY

The benefits of training programmes that aim to teach a specific set of skills can often be assessed relatively easily. But management development programmes, which equip executives with the skills and mind-set they need to deal with future issues, can be more difficult to evaluate.

Broader issues such as customer satisfaction, international communications, staff retention or a fall in absenteeism – which may have been a specific aim of the programme – are also monitored in the wake of a programme.

Inevitably, however, the assessment of a programme contains a large element of subjectivity. An assessment of its value is also complicated by the importance of the role played by the company in making use of what was learned in the course.

W

Other sex kept out

WOMEN

Women-only training has expanded rapidly in recent years, as a result of concern about the small number of women breaking through into senior management positions.

Numerous independent consultancies are now providing in-house women's courses for organisations as well as external programmes of varying duration. Cranfield, for example, runs a Women Managers Programme for British Telecom, which introduced it for its women managers.

Among the longest-established of the open programmes is the Industrial Society's Pepperell Unit development course for women. This week-long residential course looks at how organisations work, career assessment and planning, understanding financial information, team building, communication, equal opportunity issues, stress management and presentation. Fees for non-members are about £2,400.

The case for women-only courses is that they can address some of the issues that hamper female managers in their attempts to reach their potential. The absence of senior female role models, stereotyping, sex discrimination and concerns about children, domestic responsibilities and partners' careers are issues that are rarely raised in mixed-sex groups.

However, some women argue that such courses are condescending and possibly counter-productive. A recent study by City University Business School into why so few women attend management education programmes found that only 20 per cent of the women surveyed wanted courses on gender issues for women only.

Sceptics argue that there are inherent dangers in separate provision, not least of which is the risk of marginalising women. They believe that women-only training should be seen as an adjunct to, rather than a substitute for, more traditional organisational and occupational training.

X

Universal cure-all

X-FILES

Are there any managers who should not receive executive training? Employees do not always enjoy or benefit from training programmes. But often, it is the fault of the programme, rather than the manager.

For example, the T-Group sessions which came into vogue in the 1960s and are now out of fashion, attempted to improve managers' sensitivity and self-awareness. However, they often exposed people to criticism that was more than they could take.

Outdoor training techniques have also proved counter-productive with some employees. In the hands of insensitive trainers, participants can end up feeling demoralised and bullied by being ask to undertake challenges they find threatening.

Another group of employees do not respond to too theoretical an approach. Seminar programmes that are entirely composed of speeches and which offer no interaction with the participants can leave managers feeling frustrated and bored.

However these problems are usually confined to badly-managed courses. More commonly, management development is seen in a positive light by the employee: as a "reward" for good performance and as an expression of the company's confidence in his or her future.

This perception can cause problems with people not singled out for management education. Colleagues may feel alienated or even threatened if they are excluded from a programme. For that reason, companies that are trying to undergo fundamental cultural change often offer training programmes throughout their organisations.

Y

Age cannot wither them

YOUTH

Typically, organisations use in-house programmes for the induction and early development of young managers. Only later in the managers' careers will they be sent on external programmes to broaden their experience.

Currently, most management training is focused on people in their 30s and 40s. Managers are expected to acquire a substantial body of experience in order to make best use of a development course. Moreover, executives are usually in their 30s and 40s when they have to acquire managerial skills.

But there are signs that management education may extend its reach to older executives. The competitive pressures and the pace of change facing organisations are forcing employees to become more adaptable and acquire new skills at all stages of their careers.

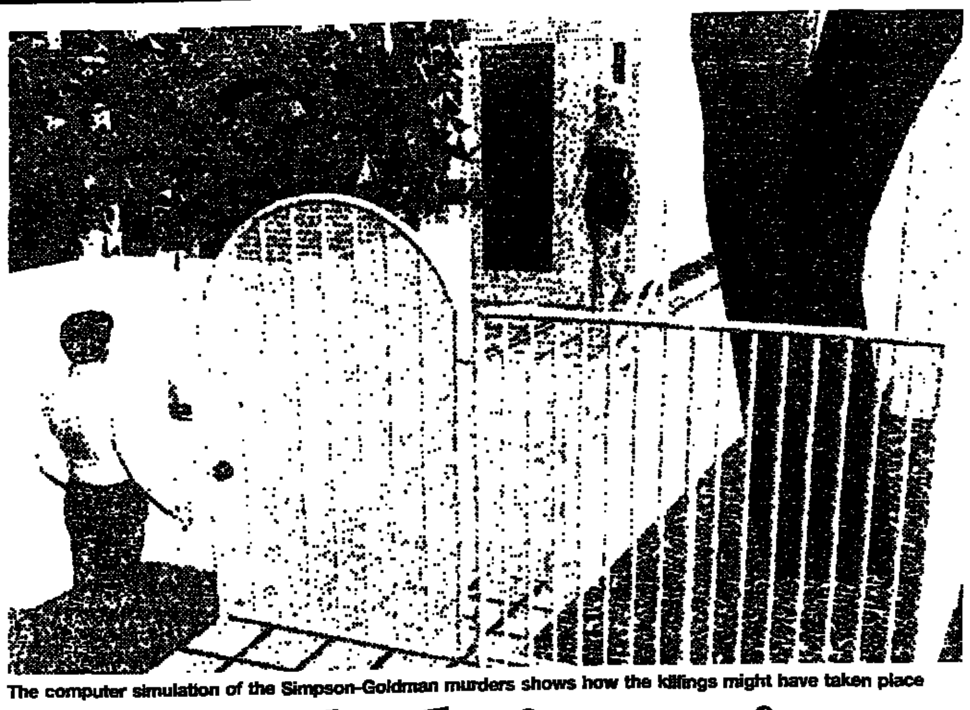
Z

A final definition

ZOMBIE

A zombie is what you turn into after hours of study, unless you pace yourself.

TECHNOLOGY



The computer simulation of the Simpson-Goldman murders shows how the killings might have taken place

Model justice

Tom Foremski and Louise Kehoe witness one version of events from the OJ Simpson trial

The OJ Simpson trial, which has become a national obsession in the US, could become a footnote in the textbooks of technology alongside its guaranteed place in legal history.

Although unlikely to be used in evidence at the trial, a computer-generated hypothetical re-enactment of the killings has been produced by a California company. It is believed to be the first time the technology has been used in connection with a murder trial.

Every scrap of evidence from the hearing into the murders of the former American football star's ex-wife Nicole Brown Simpson and her friend Ronald Goldman has been analysed and debated in gavel-to-gavel television coverage.

Outside the courtroom, however, dramatic details of how the killings might have taken place are revealed in a computer-generated simulation of the murders created by Failure Analysis Associates FaAA, a California high-tech company which produces computer simulations for use in litigation and risk assessment.

Using "forensic animation" techniques, FaAA began by collecting exact measurements at the crime scene and combed through evidence presented in the pre-trial hearings searching for every available detail. These data were used to create a computer model of the crime scene.

FaAA staff then took the roles of the assailant and victims in a re-enactment of the crime, following directions from the company's world class biomechanics experts.

Computer sensors attached to the actors' bodies recorded their every movement. The sensors provided digital spatial information used to create animated computer personas. The company says the result is a scientifically accurate visualisation of the murders.

Although the same computers and software used to produce this animation are also used to create special effects for films and television programmes, all suggestion of entertainment has been eradicated: the FaAA animation has no graphic depiction of wounds or blood, and figures in the scene are featureless, yet frighteningly realistic.

The three-and-a-half minute sequence shows a figure representing Nicole Brown Simpson walking down the steps outside her Brentwood, Los Angeles, home to let *Ronald Goldman* into a fenced porch area.

They stand on the steps talking, when suddenly a figure hiding behind a wall springs out, hitting the male figure on the head and throwing him to the ground, then quickly hitting the female figure and knocking her unconscious.

The assailant lifts the male figure, holding him from behind, and makes cutting and stabbing motions. He then turns his attention to the female figure, lifts her in the same way and similarly stabs her with a knife.

"We believe that this sequence is the only one possible because of the narrow confines of the murder scene, the final resting place of the bodies, and the injuries and other *evidence found at the scene*," says Roger McCarthy, the FaAA chairman.

He adds that the simulation indicates there was not enough room for two assailants to attack the victims, challenging a defence theory that it would have taken more than one attacker to inflict all the wounds found on the victims.

Whoever committed the murders must also have been very strong, according to McCarthy. "The fatal wound to Nicole Brown Simpson's neck, in particular, would have required tremendous force," he says. "There are parallel cuts on Goldman's neck and there are deep, but not fatal, stab wounds on Simpson's neck that were clearly made to terrorise and torture the victims."

FaAA's biomechanics *experts believe that the* wounds were inflicted by the assailant while he held each of his victims from behind with his left hand covering their mouths.

The computer simulation of the Simpson-Goldman murders was created for a new cable television show called Cnet Central without any direct contact with prosecution or defence lawyers. It seems unlikely, therefore, to become part of the evidence in the Simpson trial.

Computer simulations have, *however, been used in* hundreds of civil trials in the US over the past few years including cases involving car or aircraft crashes, fires, explosions and other disasters. FaAA, for example, simulated the voyage of the Exxon Valdez which ended in a huge oil spill in Alaska.

However, forensic animation is rarely used in criminal trials. This is a matter of cost, rather than any legal constraint. Few defendants can afford the tens or hundreds of thousands of dollars that it costs to produce a complex simulation.

Constructing the Simpson-Goldman murder computer simulation cost about $300,000 (£187,500) and took 23 experts almost five weeks.

Under US Federal laws, animations are admissible as evidence under the same rules that apply to other forms of graphic material – they must be relevant and accurate. Typically, simulations are used to illustrate the testimony of an expert witness.

"Animation makes complex *technical situations easier for a* judge or jury to understand," says David Weinberg, a lawyer and national director of litigation services for Engineering Animation, a producer of computer simulations for legal cases.

Some legal scholars are concerned that flashy, digital presentations could mislead jurors who fail to question the underlying theory behind a simulation. However, Weinberg maintains that jurors are as sceptical of evidence displayed on a computer monitor as they are when it comes to any other type of presentation.

He points out that it is up to the opposing counsel in a trial to "probe and question a simulation, and present it for what it is – somebody's theory on what happened".

As the cost of computer power continues to fall and the sophistication of imaging software to increase, it is clear that computer simulations will play an increasingly important future role in the justice system.

Bank forges a new approach to fraud

Andrew Jack examines the various design changes to the latest French banknote

For a country to introduce more sophisticated elements into its banknote design in the fight against fraud seems logical. For it to publicise widely the techniques it employs seems at first rather more paradoxical.

Yet earlier this month, the Banque de France did precisely that. Unveiling the FFr500 (approximately £63) note now coming into circulation, it also distributed posters, booklets about the design and colour photographs of the note which magazines and newspapers were authorised *to reproduce*.

The tactic illustrates that the nature of banknote forgery has changed so radically that circulating copies of the designs makes no difference; and the most effective line of defence against forgery is to improve early warnings from those who receive the notes.

The Bank of France started taking a new approach to anti-forgery designs two years ago with the FFr50 note. This has been followed, with additional features, on *its* FFr500 counterpart, which will in turn be followed as the intermediate value banknotes are changed over the next three years.

Some of the earliest changes to banknote design in the 19th century were inspired by anti-forgery policies. Since then, traditional banknote design has aimed to outwit forgers by the use of elaborate patterns which can never be entirely accurately replicated.

However, the advent of colour photocopiers over the last few years has changed the forger's approach. As a result, the Bank of France's new note contains several "anti-photocopier" features. In addition to the long-standing use of watermarks and the thin metal strip that runs through the paper, the design includes on the surface a thick, discontinuous strip of aluminium – shiny to the eye but which reproduces as black when photocopied.

Similarly, the principal colour on the note – a blue-green – looks nearer to blue on a photocopy. The *continuous printed coloured* lines that make up much of the design reappear on a photocopy as a tight series of dots, while there is also a quotation in typescript too small to reproduce. The banknotes also use "intaglio" printing which raises the ink above the paper to produce a tactile effect.

In common with a number of other central banks, the Bank of France buys security ink that is not commercially available. A symbol on the new note is printed using this "optical variable ink", which appears green when seen from one angle and blue from another.

Another symbol on the note is printed in colourless fluorescent ink, which reacts under ultra-violet light, while other parts of the design disappear when examined by infra-red light. Some of the numbers on the note are also printed in magnetic ink.

Finally, the new note has a symbol which is only partially reproduced on each side of the note, and which is only complete when held up to the light to connect the two designs. *To forge the* note would require extremely accurate printing on both sides to ensure the complete design is perfectly aligned.

By highlighting these measures the Bank of France aims to ensure the public, shopkeepers and others handling money are able to detect forgeries easily.

While regulations require banks and other financial institutions to seek out signs of money laundering, no such law exists for forged notes. Instead, there is a far more *effective* measure: the Bank of France simply refuses to accept forgeries from banks, giving a strong incentive to check notes scrupulously.

On the other hand, there are other even more secret design features on the new notes which officials will not reveal. They have also been working with colour photocopier manufacturers to ensure there are subtle ways to trace copies – and hunt down forgers.

Despite all the efforts, there is little sign yet of forgery abating. Few statistics exist, and those that do are closely guarded. Yet some officials privately suggest there are several forged notes in France for every million in circulation.

All the effort put into special techniques has also on occasion detracted from the basic design. On the FFr50 note, featuring Antoine de Saint-Exupéry, the aviator and author, there is an acute accent on the first "E" of his surname, which does not belong on capital letters.

Holding back old age

Victoria Griffith on the benefits of a natural drug

DHEA, an anti-ageing hormone, is gaining some respect in the scientific community after years of being disparaged as an unrealistic "fountain of youth" drug. The US National Institutes of Health dedicated $1m *(£625,000) in research funds to* the drug this year and says it may soon increase that amount. And the New York Academy of Sciences has scheduled a national conference on the hormone in June.

DHEA, dehydroepiandrosterone, may have the power to help an old body to function like a young one, say its supporters. The steroid hormone, created in vast amounts by young humans, begins to wane when people reach their late 20s. At the age of 80, most people have just 5 to 10 per cent of their peak level of DHEA.

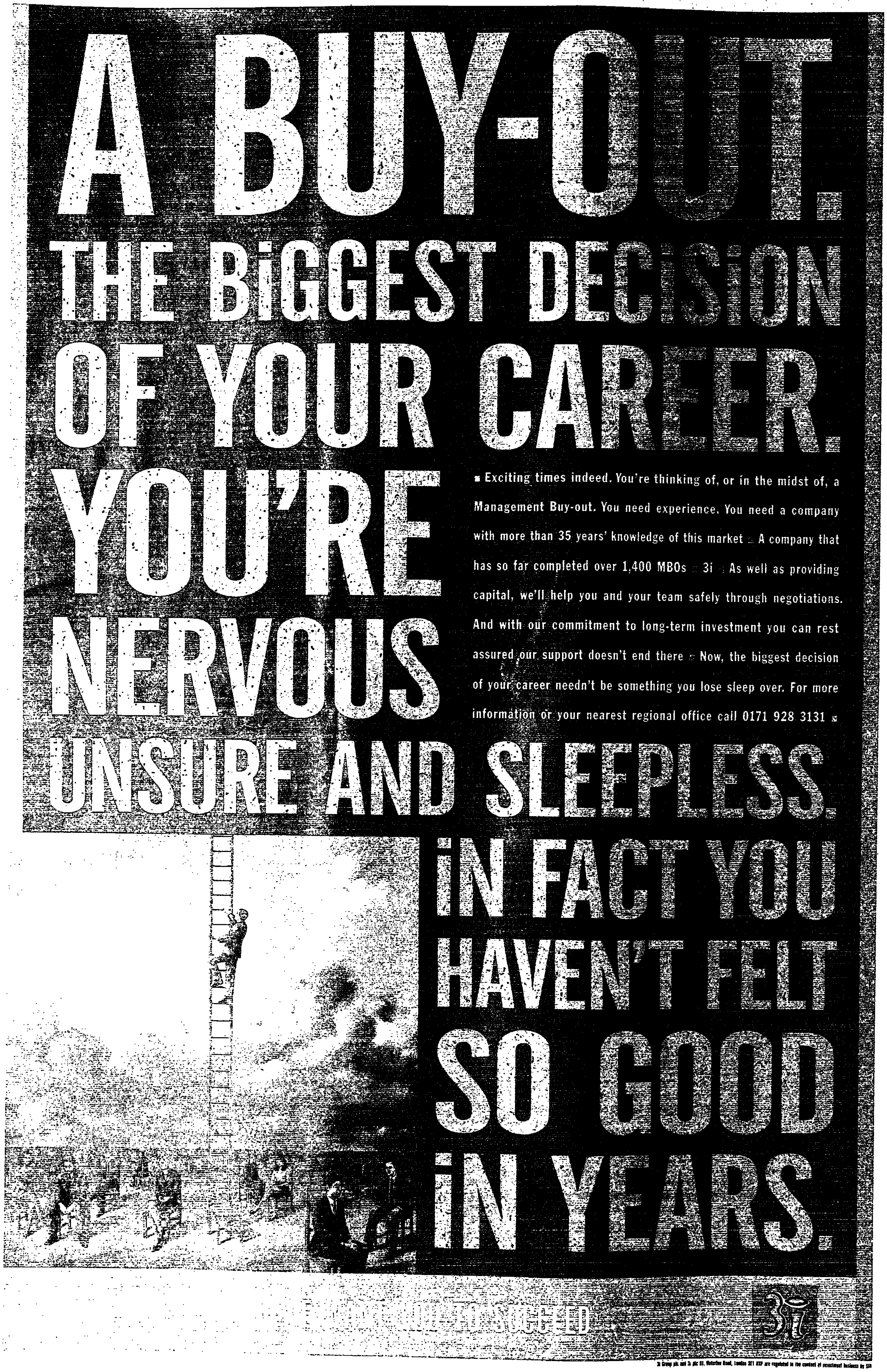
Scientists believe this decline may be partly responsible for the frailty that comes with age. If DHEA is boosted in *the body, they theorise,* the elderly may be able to confront infections and diseases with more youthful vigour.

"DHEA could be used in a similar way to oestrogen therapy in post-menopausal women as an overall health treatment," says John Nestler, a University of Virginia professor. Scientists believe the drug may be effective in battling age-related illnesses, including cancers and pneumonia.

Because the drug is a natural hormone and therefore hard to patent, it may have difficulty attracting the attention of pharmaceutical groups. "One reason more people haven't jumped on DHEA is that there are problems in protecting its *patent rights*," *says Nestler.*

Hormones can be patented for specific use, however, and research on the steroid is now being focused on precise treatments.

While it may not be the fountain of youth, scientists hope DHEA will eventually be used to strengthen the elderly's resistance to disease. If they succeed, the hormone could become an important general health drug.



هكذا من الأصل

INTERNATIONAL PEOPLE

New chairman for Arco

■ Mike R. Bowlin, 52, president and chief executive of Arco, takes over as chairman in July from Lodwrick M. Cook. Cook, 66, will remain a director and Bowlin continues as CEO.

■ Timo Peltola, president of Huhtamaki, to chairman of Unitas, the Finnish banking group which recently merged with Kansallis-Osake-Pankki.

■ Paul Castellan, 58, steps down in May as chairman of BP France. Michel de Fabiani, 49, chief executive of BP France, becomes chairman.

■ David C Winn, 45, former general manager of American Express Bank (France), to general manager of IBM's personal computer business in Europe, the Middle East and Africa. He succeeds Donald R Friedman who is returning to the US as strategy director for the IBM Server group.

■ John Coomber, 45, chief executive of Swiss Re (UK), Stefan Lippe, 39, chairman of Bavarian Re, and Bruno Porro, 49, deputy head of the Latin American/Spain/Portugal department, have joined the executive board of Swiss Re, the world's second biggest reinsurance company. Peter Frey, 62, joint head of group division reinsurance, has retired and Wolfgang Gemünd, head of group division insurance, will leave Swiss Re following the sale of its insurance business.

■ Franz Neudeck, 50, chairman of Hannover Papier, to be chief executive of Sappi Europe, the European arm of the South African paper group, from 1 May. He will join the Sappi board in Johannesburg.

■ Jean-Marie Descarpentries, chairman of Compagnie des Machines Bull, has replaced former Bull chairman Bernard Pache on the board of France Telecom.

■ Juhani Yli-Paavola, 60, chief executive of Metsä-Botnia Group, has joined the management board of Metsä-Serla, the Finnish forestry group. Ari Antsalo becomes head of a new printing papers division.

■ Gay Evans of Bankers Trust International, is chairman of the International Swaps and Derivatives Association (ISDA) for a second term.

■ Peter Somaglia, 45, replaces Ernst Funk as head of Swissair Cargo. Funk has become head of Market Intercontinental.

■ Michael P. Connors, 39, a senior vice president of American Express Travel Related Services, to senior vice president and human resources chief at Dun & Bradstreet.

■ Baron Jacques has retired from the boards of Rothmans International and Rothmans International NV

■ Alfred Heinzel to chief executive of Papierwerke Waldhof-Aschaffenburg (PWA), the German subsidiary of Svenska Cellulosa, Europe's largest forestry group.

■ Peter Thorner, acting chief executive of Ames Department Stores, to chief financial officer of Bradlees, the US discount department store group.

■ Paul van der Wel, 50, head of McCain Group's European business, has joined Goodman Fielder as chairman of the executive board of Meneba NV, its European Foods operation.

■ Charles A. Hinrichs, chief credit officer for Boatmen's National Bank of St Louis, to treasurer of Jefferson Smurfit Corporation.

■ Glenn F. Tilton, to senior vice president of Texaco Inc.

■ Anthony H. Ransom, 48, vice president exploration at Homestake Mining, to chief executive of Amarado Resources in Toronto.

■ Kenkichi Nakajima, general manager of Yamaichi Securities' financial institutions department in Tokyo, replaces Tokuo Ukon as chief executive of Yamaichi International (Europe). Ukon becomes head of the international planning department. Noboru Aiba, general manager international business department, becomes president Yamaichi International (America).

■ Jacquie Perryman, previously vice president of Arista Soundtracks, to senior vice president of PolyGram's new Soundtrack division in Los Angeles.

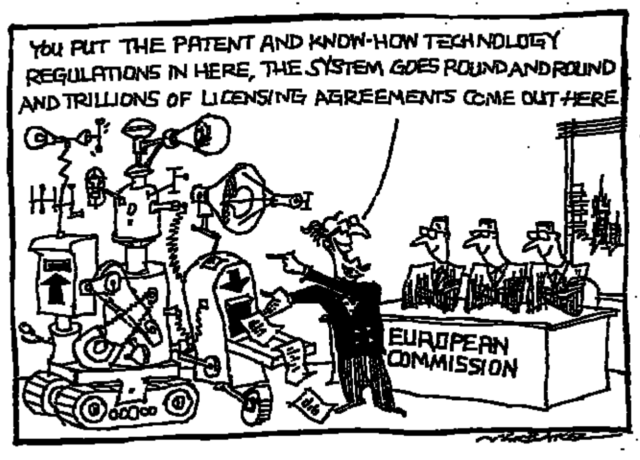
■ Simon Kenny to vice president and managing director of Buena Vista International Television, the sales and distribution arm of Walt Disney Television International (WDTV-I). He was formerly at Young and Rubicam Europe.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

New tangle for red tape

Plans to ease EU rules could hit competitiveness, says **Robert Rice**



Proposals aimed at improving the European regime for exempting patent and know-how licensing agreements have horrified rather than mollified industry.

When the European Commission began consultations in 1993 on updating and replacing the patent licensing block exemption regulation, which was due to expire at the end of 1994, combining both the patent and know-how regimes in a single technology transfer block exemption was welcomed. Industry assumed a new regulation would cut out the overlap between the two regimes, increase certainty and reduce administrative costs.

But when the draft technology transfer regulation was published last June industry was horrified to discover that the proposed changes would increase rather than reduce uncertainty and the number of licensing agreements that would have to be notified individually to Brussels for approval.

The commission was forced by the outcry to postpone the introduction of the new regulation and to extend the life of the patent licensing block exemption until July this year. With only three months left the issue remains unresolved and with the commission unlikely to extend the life of the patent exemption further, industry fears the new regulation will be brought in as the proposal stands. If that happens, industry warns, EU competitiveness could be damaged.

Before the block exemption system was introduced each potentially anti-competitive commercial agreement had to be individually notified and approved by Brussels. As the time taken to get a decision began to stretch into years, the commission recognised that there was a need for a block exemption system.

Most patent licence agreements are anti-competitive by their nature – granting an exclusive licence to manufacture or sell a patented product in specific part of the community raises questions of market share and concerns at limiting production and technical development. By 1985 the backlog of agreements waiting for vetting by Brussels had reached such a level that the commission decided a block exemption was needed. An exemption for licensing of know-how, defined as non-patented technical knowledge which is secret, was introduced in 1989.

The block exemptions set out a list of things companies can include in their agreements without falling foul of the competition rules, and a blacklist of conditions which are not allowed. Provided an agreement contains no blacklisted conditions, a company can assume it is exempted without having to notify Brussels. Agreements with blacklisted conditions or where there is some doubt still have to be notified to the commission.

On the whole the system worked well. Before 1985 there were about 100 notifications each year, but in 1985 itself just 12 agreements were notified. However, when the commission came to consider the technology transfer block exemption it decided to introduce a market share threshold test to determine whether an agreement can be included in the block exemption. It is this proposal which has upset industry.

Not only can markets change from day to day, but defining the relevant market can be difficult

Under the proposed new regulation, a licensee company will not be able to take advantage of the block exemption if it has a market share of 40 per cent of the geographical or product market. Neither will it qualify for the block exemption if it has a market share of more than 10 per cent and is operating in an oligopolistic market – one where three or fewer companies together have a market share of 50 per cent, or five or less companies have more than two-thirds of the market.

In addition, provisions which give exclusive territorial rights to both licensors and licensees will not be exempted if the party protected has a market share of more than 20 per cent. Market shares have to be assessed when the agreement is concluded and if the thresholds are exceeded the agreement will have to be notified individually to Brussels to obtain an exemption.

The commission can see little wrong with this proposal. But businesses say that very few will know their market share at any given time. Not only can markets change from day to day, defining the relevant market is notoriously difficult, they argue.

"If I bring out a new anti-cancer drug aimed at cancer of the prostate, it will be 100 per cent of the market for that particular drug. But it might be only 20 per cent of the market for all cancer drugs. It's a very moveable feast", says one industrialist.

The net result, they say, is that rather than risk having their technology licensing agreements ruled unlawful, they will refer them to the commission for individual exemption. Just how many agreements would be notified is not clear, but the commission was taken aback by suggestions from the business community that some big pharmaceutical companies might each notify up to 100 agreements each year.

A recent survey of French companies suggests the commission could expect up to 900 notifications from France alone every year, yet the commission has made clear that it has no new resources to devote to handling these notifications.

According to Mr Christopher Bright, a partner at the City firm of Linklaters & Paines, the bigger danger of this market share threshold proposal is that it will harm EU competitiveness. He says that if you contrast the commission's proposal with the recent US guidelines on antitrust and intellectual property it soon becomes clear that the US regime has significant advantages over the EU's. Although the US regime includes a safe haven for agreements where the licensed company has a market share of 20 per cent or less, there are significant differences between the two.

In Europe, all anti-competitive agreements are prohibited, which means companies must seek an exemption. However, in the US, companies can take a view that their agreements escape competition rules even if they are outside the 20 per cent safe haven on the basis that the restrictions on competition are not unreasonable.

Mr Bright says the US guidelines set out a policy and this provides greater certainty, and adds that many European businesses may be tempted to take advantage of that.

Industrialists agree with that view. One businessman remarks: "If the commission persists with its proposal then given the choice I would rather license a US company in the US to manufacture the product in the US and then sell it into Europe. Licensed manufacturing is going to move out of Europe. The European consumer will still get the benefit, but European industry in general will suffer."

Ruling on trade in narcotics

EUROPEAN COURT

The European Court of Justice last week ruled on European regulations applicable to trade in narcotics for medical use covered by the 1961 Single Convention on Narcotic Drugs, in response to questions from the High Court in London.

The questions arose in a judicial review brought by Evans Medical and Macfarlan Smith against the home secretary challenging an import licence granted Generics (UK).

The narcotic was diamorphine, an opium derivative used medicinally as an analgesic. Diamorphine is covered by the 1961 convention applicable in the UK and the EU.

Until 1992 UK policy prohibited importation of diamorphine. Macfarlan had the exclusive right to manufacture it in powder form from concentrated poppy straw imported from non-EU states, and Evans had exclusive UK processing and marketing rights. The practice was justified by the need to avoid illicit trade and ensure reliable supplies.

The home secretary rejected an application by Generics for an import licence. But in judicial review proceedings he accepted his refusal was not justified under Rome treaty free movement of goods rules.

The home secretary informed Evans and Macfarlan in August 1992 he had authorised Generics to import a consignment from the Netherlands, explaining past policy impeded intra-community trade. He said reliability could be guaranteed in compliance with European law via introduction of a tendering scheme.

Evans and Macfarlan challenged the validity of his reasoning. They argued the free movement rules did not apply to narcotics because of treaty rules safeguarding rights and obligations arising from the 1961 Convention. Even if they did apply, exceptions justified refusal of an import licence.

They also argued the home secretary should have satisfied himself the new tendering system could be implemented, that it was compatible with the convention and that it made it possible to ensure continuity of supplies of diamorphine for the National Health Service.

Rejecting the Commission's claims that the High Court's questions were irrelevant, the court said they should be answered so the national court could determine whether the change in national practice was necessary to ensure compliance with European rules.

The home secretary had decided prohibiting imports contravened European law since reliability of supplies could be guaranteed within the framework of the public supply contracts procurement directive. On the basis of the ECJ's replies to its questions the national court would have to decide under its national law whether his decision should be set aside for error of law.

The Court ruled free movement rules applied to national practice prohibiting narcotic drug imports. Treaty rules on international agreements before UK accession, could not prevent application of those rules unless the practice was necessary for the member state to comply with obligations to non-member countries.

But it was for the national court to determine the obligations imposed and their effects, in particular, whether quota allocations were required by the obligations and whether allowing imports would make sufficient controls impossible.

Free movement exceptions did not permit import controls to safeguard the sole licensed manufacturer's viability. But they might apply if public health required reliable diamorphine supplies and there were no measures less restrictive of intra-community trade.

The Court also ruled Community legislation applicable to awarding public contracts permitted bodies to award supply contracts on the basis of the tendering firm's ability to guarantee reliability and continuing supplies in determining the most economically advantageous tender.

C-324/93: R v secretary of state for the home department, ex parte Evans and Macfarlan; intervener Generics, ECJ FC, March 28 1995.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

Ballet / **Clement Crisp**

A joyous revival in Copenhagen

Lovers of Bournonville's ballets – those ancestral treasures of the Royal Danish Ballet – always lament the fact that so many of his works have been lost. He produced more than 30 works during his half-century (1829-1879) as ballet master, dancer and teacher in Copenhagen.

Of these, the Danes have kept half a dozen full-length pieces in continuing performance since their creation, together with a few shorter gems. They provide a portrait of a man whose dance genius is still potent, still communicative of a joyous delight in movement, a sterling sense of theatre, and a moral integrity that saw art as a guide to man's highest aspirations.

Our view of him is necessarily partial, since ballets significant in their time – historical dramas; tales rooted in Nordic mythology – have fallen from the repertory.

Latter-day attempts at "reconstruction" have been well meant but less than likely, as we saw with stagings of the long-lost epic *Lay of Thrym*, and *Abdallah*. What audiences adore and want is more of Bournonville as provider of joyful dance and no less joyful drama.

Now, splendid to report, an *echt* Bournonville work has been rescued and revived. Last week the Royal Danish Ballet gave the first performance in 60 years of *A Newspaper Courtship* – part of which is known to us as *The Conservatory*.

This latter is a hallowed Bournonville fragment, a scene set in the Paris Opéra dance studios of the 1820s, where Bournonville learned to dance under the tutelage of the greatest teachers of the age. His training – that elegant French schooling – was the basis of his later achievements as a pedagogue, and his style, the Bournonville *school* we see today, is still shaped by that instruction.

The Conservatory or *A Newspaper Courtship* was made in 1849 as a ballet-vaudeville, the happiest of comedies. It told how the director of the Paris Conservatory, M. Dufour, decides not to marry his housekeeper, Mlle Bonjour, and instead advertises for a bride, whom he will meet at a restaurant at St Germain en Laye.

How his pupils contrive to trick him by dressing up as prospective brides, and how everything is happily resolved, is the matter for two acts of the most charming, sunny dance and mime.

How the ballet has been restored to the stage is a no less happy, and characteristically Royal Danish, story. The Danes (unlike certain companies nearer home) know that dancers as they age become valuable as teachers, mime artists, exemplars of past traditions and values. So the Bournonville repertory has always been enriched by mime, by small dance roles, that are gloriously performed by artists no longer able to bound with youthful joy through the most exacting steps. Respect for dramatic playing has always been part of the Royal Danes' identity.

I reported last year on Niels Bjorn Larsen's jubilee performance – aged 80 – as a grand Coppelius. And it is Larsen who is one of the rescue team for *The Conservatory*, together with his daughter, Dinna Bjorn, and the eminent dancer and teacher Kirsten Ralov.

The Conservatory was last seen in its entirety in 1934, when Larsen appeared as a waiter (but had his eye on the role of M. Dufour) and Kirsten Ralov was the little girl whose aspirations to become a dancer are part of the plot. Together they have now restored the lost second act and the dramatic scenes which frame the celebrated classroom sequence in Act One.

Their task might seem formidable after 60 years, but continuity of Bournonville performance by the company, the living example of how dramatic scenes must be given in other Bournonville works, and the Danish Ballet's respect for its own traditions, mean that *The Conservatory* as I saw it last week has an authentic "feel". This is not a dinosaur reconstructed from one vertebra – however careful or loving in restoration – nor an approximation. It is the real and splendid thing.

The narrative is happy, the dancing bright, the playing flawless.

Chief praise must go to Tommy Frishoi as a M. Dufour – pompous, vain, wholly credible and wonderfully engaging. No less praise for Kirsten Simone as Mlle Bonjour. Forty years ago, when I first saw her, Mme Simone was the loveliest young dancer in the company.

Respect for dramatic playing: Heidi Ryom in the celebrated classroom scene of 'The Conservatory'

She is beautiful today, and her dramatic skill – the subtle shifts of emotion: the pouts and mock fainting and upbraidings and sweetness of character – give the role a wonderful richness of feeling.

The rest of the company are entirely at ease in the comedy as they are in the dancing. Lloyd Riggins, as leading dancer and inspirer of intrigue, pulls off a delicious Charley's Aunt impersonation and Lis Jeppeson is no less merry as a masked beauty.

But joy, as so often with Bournonville, fires every step, every action. It touches, sublimely, the work of Johan Kobborg as a soloist in the hallowed classroom sequence. This young artist provides dancing as near perfect as we are meant to see in a Bournonville ballet: he shows us the old master's *joie de vivre* and *joie de danser*.

The ballet has been fetchingly designed by David Walker: his café terrace at St Germain an especial pleasure. The score by Paulli contains a couple of nice touches: the overture is much given over to Weber's *Invitation to the Dance* – and rightly so – and also quotes a Chopin waltz.

The Conservatory is the nicest of gifts to the dance world and should not be missed. (It will be in repertory this season in Copenhagen, and on view in Paris in September.)

The Danes were also showing the staging of *Giselle* made by their director, Peter Schaufuss. The production seeks, and finds, dramatic logic while properly respectful of Romantic convention.

It looks good in Desmond Heeley's designs, and is played with the right emotional fervour by its cast: I was moved by Rose Gad's mad scene, which showed Giselle inexorably driven to suicide, and by the coherent presentation of the first act tragedy.

Royal Theatre, Copenhagen.

Defence of criticism

Alastair Macaulay replies

The playwright Simon Gray, whose West End play *Cell Mates* closed following the disappearance of its leading actor Stephen Fry, has added to the debate on criticism. In a letter to the London Evening Standard, Gray said that Fry cited reviews as a reason for his sudden departure.

"He felt personally humiliated by some accounts of his own performance, most particularly by one in the Financial Times," the letter said.

My words about Fry were: "It must have seemed an especially astute stroke of surprise casting to have Stephen Fry play the spy. Fry is the all-time façade: so damnably English on the one hand, and so perplexingly inexpressive on the other. Watching a façade, however, is not a lot of fun in the theatre. You watch all those unyielding and unbending cubic feet of Fry's great body, and you listen to that suave, clubbable, heartless basso profondo voice of his, and time passes very slowly."

No review can adequately reflect the complex nature of a work of art, but the effort to achieve that adequacy is the aim of the critic, and is what gives a critic truest pleasure in work. Ironically, it was on Fry that I came nearest to capturing adequately my feelings about the evening.

I wrote not for Fry – who shortly before opening night suggested that he had reached that point of wisdom when an artist no longer reads his reviews – but for the readers of the Financial Times: those who had seen the play, those who might consider seeing it, and those who, without ever seeing it, wanted informed opinion (or opinionated information) about it. Having read none of Fry's books and having seen next to nothing of his television work, I bore no animus against him.

Fry has spoken of critics who set out to hurt feelings. If they exist, I try not to rank among them. Hurt feelings and injured friendships are, sadly, an occupational hazard. But I prefer the pursuit of rigorous criticism to that of some mutual appreciation society. No one was forcing Fry to appear on a West End stage – where better turns have received worse stonings. His disappearance from *Cell Mates* was an act more irresponsible than any of his reviews.

If Fry had ended his life, as was feared at one time, the news that my review had done most to make him feel "humiliated" would have caused me immense pain; and his reaction to these reviews continues to cause me no small perturbation of spirit.

The terrible truth, however, is that I would not unwrite my review if I could. And Gray's letter leaves the reader in doubt. Does Fry feel that my words humiliated him by being more malicious than any other reviewer's? Or by being more judicious? Sometimes critics are right – this is another occupational hazard – and sometimes it is this truth that artists cannot bear.

Elegance written in stone

The Henry Moore Institute in Leeds is celebrating the work of British sculptor Stephen Cox with an elegant and carefully chosen exhibition of some of his most recent work, shown in conjunction with pieces from earlier in his career.

Cox has long been fascinated with stone and the history of stone carving and modelling, and this desire has led him to spend time working abroad. His first residence abroad was in Italy from 1979; he then worked in India from 1985 and was most recently in Egypt.

Invited there in 1988, Cox was given permission to extract stone from the Imperial Porphyry Quarries in the Eastern Mountains to make a work as a gift from Britain to Egypt for the opening of the New Cairo Opera House. He was the first sculptor since antiquity to have had access to the quarries.

Since then he has been exploring the possibility of extracting stone from the quarries of Chephren, builder of the second of the Great Pyramids, whose funerary statues were the last to use the diorite Cox now wishes to use again.

Cox loves the challenge of supremely hard stone, and his mastery of it is well demonstrated at Leeds by the dark crimson imperial porphyry of "Chrysalis" 1989-91, from the Tate Gallery Collection, and the huge green "Interior Space" 1995, in Hammamat breccia, specially made for the show.

This piece, a hollow cube more than head high, occupies almost the whole of one of the galleries. Its rectangular form, smoothly polished on the walls, left rough on the top, is pierced on one side by a narrow slit, the stone from which lies like a marker on the ground in front of the dark entrance it has opened into the shadowy interior.

Peering in to this silent space is briefly evocative of all those burial chamber fantasies sprung from the faded pictures of Howard Carter opening Tutankhamun's tomb. The mystery here, however, is that of the stone itself, its gleaming green surface at once impenetrable and infinite.

Cox was born in Bristol in 1946 and trained first at Bristol and Loughborough and finally at the Central School in London from 1966-68. His work then was minimalist, exploring grid-like structures in installations and repetitive rectangular elements in metal, floor-based pieces.

In the 1970s, his work began to show a preoccupation with surface, explored both in paintings using varied materials such as zinc or lead primer or red oxide and in sculptures made of cast plaster or cement in simple rectangles shown leaning against the wall singly or in groups.

Examples of these are included in the Leeds show. Its carefully considered juxtaposition of old and new work makes clear that whether individual pieces are described as "painting" or "sculpture" one of the principal concerns of Cox's work has always been surface, whether this be the dense simplicity of plaster or concrete or the polished patina of porphyry.

The exhibition does not show Cox's exuberant work of the early and mid-1980s. Then, first living in Italy, he experimented with relief carving and also made wall-based narrative or figurative pieces.

His move to India brought a new material – black granite, sometimes annointed with oil – into his repertory, and gave him access to a new realm of mythology and a different approach to the human figure.

In each location Cox has undergone a learning process, open to the culture of past and present, experimenting and combining both in work which can be personal, and often playful, as well as monumental. His travels have also allowed him to explore working methods, learning traditional techniques from the teams of local carvers who have assisted him, especially in India and Egypt.

To point this out is not to seek to undermine the premise of the Leeds show, but rather to agree with the point it seeks to make: that Cox's latest work is his strongest, his most mature, precisely because it succeeds most completely in combining the ancient traditions of the art of sculpture, which for centuries and in all cultures has embodied humanity's need to make images for contemplation, with the modernist recognition of the significance of pure form.

Lynn MacRitchie

Stephen Cox. Surfaces and Stones of Egypt. The Henry Moore Institute, 74, The Headrow, Leeds LS1 3AA. 0113 234 3158. February 16-May 6.

Theatre / **Alastair Macaulay**

Trainspotting misses

It is always a curious spectacle when an exercise in social and/or psychological realism turns into a display of theatrical style – becomes, indeed, a form of exhibitionism.

Last year, Tom Courtenay's award-winning solo performance in *Moscow Stations* was actually less about its subject – a Russian alcoholic in decline – than about the art with which this was delivered. "What a performance!" everyone said, rather than, "What a theme!". It is surely no accident that *Trainspotting*, Harry Gibson's stage adaptation of Irvine Welsh's 1993 novel, has the same result, for it shares with *Moscow Stations* the same director, Ian Brown.

Much of *Trainspotting* is certainly entertaining. An account of drug culture in the seamier side of modern Edinburgh, it keeps up a strong supply of smutty/dirty/shocking anecdotes designed to appeal to the ghoulish/squeamish adolescent side of its audience.

The genteel side of Edinburgh is hardly mentioned: a fleeting reference to the first day of the festival and little more.

Swear words proliferate. Gritty Scots humour abounds. The mentalities of drug addicts are vividly articulated. Gradually, however, the mood darkens until the most horrific episode – a man injecting heroin into his own penis – which can only appal.

But this works on us less as theatre than as reportage. Whatever the merits of Welsh's novel, Gibson has not made it into much of a play.

Sometimes he attempts to preserve features of the fictional method – *Character A*: "Stay cool, man"; *Character B*: "– says Johnny", and so forth - in the ironic style that has been so wittily perfected in the adaptations of Giles Havergal (*Three Men in a Boat*, etc), but the irony has little effect on us here. (Again, the resemblance is surely no accident. Havergal is a house writer/director at the Glasgow Citizens Theatre, where *Trainspotting* had its stage debut in Mayfest 1994.)

Seldom do characters acquire an inner variety that makes for unfolding moment-by-moment drama. There is an enthralling and utterly charming scene at the end of Act One when two young men and a young woman talk and play together with complete spontaneity, the tone changing all the time between tenderness, fun, pain, ardour.

But usually there is no flexibility to each character in each scene. Instead, the fixed quality of each character – notably the males – is delivered up to us for maximum colour as a stunt. Mark the feckless subversive outsider. Franco the foul-mouthed macho sexist. Tommy the dumb sweetie . . . bang bang bang. Acting becomes show-off virtuosity.

The four actors – Ewan Bremner (Mark), James Cunningham (Tommy), Susan Vidler (Alison), Malcolm Shields (Franco) – perform all this well, and the exhibitionist recklessness of Bremner's commitment, carrying most of the evening, is most impressive.

But the core of *Trainspotting*, as a play, is dead.

At the Bush Theatre, W12.

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 34384-01

● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 5, 8, 12

● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Apr 6

● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Apr 9 (7pm), 11

● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7.30pm; Apr 4, 7

Staatsoper unter den Linden Tel: (030) 200 4762

● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Apr 4, 8

■ BONN

GALLERIES

Kunst-und Ausstellungshalle Tel: (0228) 9171 236

● Russian Museum of St. Petersburg: third in "The Great Collections" series. The museum in St Petersburg houses a collection of 500,000 works from which 500 works have been selected for this exhibition to represent 500 years of Russian art and culture; from Apr 7 to Aug 13 (not Mon)

■ LONDON

CONCERTS

Barbican Tel: (0171) 638 8891

● Yo-Yo Ma: cellist with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12

Queen Elizabeth Hall Tel: (0171) 928 8800

● Andreas Haefliger: pianist players Beethoven, Schubert and Mussorgsky; 3pm; Apr 9

● Carmina Quartet: with pianist Andreas Haefliger plays Beethoven, Debussy and Brahms; 7.45pm; Apr 10

Royal Festival Hall Tel: (0171) 928 8800

● Bach: St Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 9, 11,

● Michael Nyman Band: with the Orquesta Andalusia de Tetuan. Special concert in which Nyman reworks music from his career and writes for a group of virtuoso musicians who have an understanding of his work; 8pm; Apr 8

● The London Philharmonic: with soprano Amanda Roocroft. Roger Norrington conducts Mahler's "Lieder eines fahrendenden Gesellen" and "Symphony No.4"; 7.30pm; Apr 5

GALLERIES

Royal Academy Tel: (0171) 439 7438

● Poussin: more than 90 works by the French artist. Centerpiece of the exhibition is the two series of the "Seven Sacraments"; to Apr 9

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 5, 8, 11

● Madam Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Apr 4, 6

Royal Opera House Tel: (0171) 304 4000

● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 8, 11

● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Apr 7

● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Apr 4

● The Prince of the Pagodas: by Britten. Kenneth MacMillan choreographs this Royal Ballet production which opens a Benjamin Britten "mini festival" at the Royal Opera House; 7.30 pm; Apr 10

■ MADRID

GALLERIES

Fundación Coleccion Thyssen-Bornemisza Tel: (91) 420 3944

● André Derain: approximately 70 paintings selected to represent the painter's different artistic periods; from Apr 4 to Jul 10

■ NEW YORK

CONCERTS

Avery Fisher Tel: (212) 875 50

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Apr 8, 11 (8.30pm)

● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 4

● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 7, 12

● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/Richard Drews; 8pm; Apr 6, 8

● Lucia di Lammermoor: by Donizetti. Conducted by Christopher Keene and produced by Tito Capobianco; 8pm; Apr 9 (1.30pm), 12

■ PARIS

CONCERTS

Champs Elysées Tel:(1) 49 52 50 50

● Philharmonic Orchestra of St Petersburg: with violinist Shlomo Mintz. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

● Philharmonic Orchestra of St Petersburg: with violinist Martha Argerich. Youri Temirkanov conducts Prokofiev; 8.30pm; Apr 12

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Apr 4

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 5, 8, 11

● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gegam Grigorian and Gaetan Laperriere; 7.30pm; Apr 4 (3pm)

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● Jessye Norman: soprano with pianist Ann Schein in a programme of works by Berg, Strauss, Ravel and Messiaen; 7pm; Apr 10

● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Yahr conducts Kernis, Prokofiev and Rachmaninov; 8.30pm; Apr 4 (7pm)

● National Symphony Orchestra: Elizabeth Schulze conducts Berlioz's "Symphonie Fantastique"; 8.30pm; Apr 6, 7, 8

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Apr 4, 7, 9 (2pm)

THEATRE

Arena Stage, Fichandler Theater Tel: (202) 488 3300

● I am a Man: directed by Donald Douglas. Recreation of the Memphis garbage workers' strike of 1968 and the civil rights movement; 8pm; to Apr 9

Horizon's Tel: (703) 519 9123

● Kindertransport: by Diane Samuels. Jane Latman directs a play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4

Kennedy Center Tel: (202) 467 4600

● Laughter on the 23rd Floor: Neil Simon's play set in the 1950s heyday of television comedy; 7.30pm; to Apr 23 (not Sun)

Studio Theater Tel: (202) 332 3300

● Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; to Apr 9 (not Mon)

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The European Commission's move to get a grip on its finances should enhance its political authority, says **Lionel Barber**

Reform begins at home

Liikanen, budget commissioner: setting up network of high-flyers Terry Kirk

Two months after taking office, the new European Commission headed by Mr Jacques Santer has begun to put its house in order.

Changes in financial management and personnel are under way that one day might merit a business school case study. If the reforms take root, they will amount to a revolution for an institution often criticised for its spendthrift habits.

At stake is the future role of the Commission, the Brussels-based executive arm of the European Union responsible for executing an annual EU budget of more than Ecu80bn ($105bn). Without reform, it risks being blamed for fraud and waste, and could suffer a further decline in its political authority.

During the tenure of Mr Jacques Delors, Mr Santer's predecessor between 1985 and 1995, the Commission's responsibilities expanded. It took on with relish new jobs such as administering the multi-billion dollar aid programmes to post-communist eastern Europe.

But Mr Delors showed more interest in the big idea than the balance sheet, and never got to grips with managing his own organisation. "The Commission is like a company which has just gone through an explosive period of growth," explains a senior Commission official. "Now the accent must be on consolidation."

Mr Santer, who served jointly as Luxembourg finance minister and prime minister, is now emphasising value for money. The new atmosphere in Brussels also reflects the influence of Austria, Finland and Sweden, the wealthy but penny-conscious states that joined the European Union this year.

The task of the reform effort has fallen to two Nordic commissioners: Mr Erkki Liikanen, an energetic former Finnish finance minister who has taken charge of the budget, and Mrs Anita Gradin, the Swede in charge of the justice affairs portfolio and the fight against fraud. As newcomers, they are better placed than most to create a new "budget culture".

Even the most partisan supporters of the Commission concede that budget management has never enjoyed much status inside the organisation. Officials who work in the budget directorate cannot aspire to the power and influence over policy wielded by a senior UK Treasury official or a French *inspecteur de finances*.

The lack of political stature hampered Mr Peter Schmidhuber, the German budget commissioner who left Brussels last January. He left behind a memo which offers a disturbing analysis of the problems of financial management inside the Commission.

The chief difficulty is that many Commission departments pay more attention to the content of policies than to evaluating how much they will cost, or how easily they can be put into effect. Too often, evaluation is left to outside firms. "The principle of sound financial management is not acknowledged as a general maxim," says the memo.

Second, budget implementation – spending allocated resources – remains second-rate. On the one hand, small businesses working under contract for the Commission have to wait months for payment. On the other, money is wasted because the rules on public procurement are not strictly observed when awarding contracts.

Third, lines of responsibility for monitoring spending are blurred. A Commission department can spend funds once the staff of Directorate-General 20, which is responsible for financial controls, give their stamp of approval. But after that hurdle is overcome, the controls relax. "There is no follow-up," confirms a senior Commission official. "Responsibility disappears."

In fairness, the Commission is too easily blamed for waste and mismanagement. Although it has responsibility for executing the budget, member states themselves spend 80 per cent of the funds.

So what is to be done? The first step is to strengthen compliance with existing rules. To this end, Mr Liikanen has started to create a network of high-flyers specialised in financial management. Each is charged with tightening controls in each department. Each can expect a fast track to promotion. "It will be like doing your military service," says a Brussels official.

In future, all directors-general will have to complete stints as financial managers. This would be a break with the past; some directors-general have slipped into Brussels thanks to political patronage back home.

Mr Liikanen has acknowledged that such changes would amount to a revolution in personnel management. He appears determined to blunt the excesses of the "flags system", where top jobs are allocated to countries according to complex quotas. The member states will resist.

Yet Mr Santer has indicated he intends to fight. He gave Mr Liikanen joint responsibility for budget and personnel when he assigned portfolios for the 20 commissioners last October. Furthermore, he agreed to let Mr Liikanen vet all important spending proposals from individual commissioners before they go to the full Commission.

A second step is to repair the Commission's relations with the Luxembourg-based Court of Auditors, which delivers an annual report on the execution of the budget. In recent years, public awareness of EU fraud and mismanagement has grown as the court has delivered a series of stinging reports; but the exercise has degenerated into political stalemate amid mutual recrimination.

Mr Santer recently made peace overtures over lunch with Mr André Middlehoek, head of the Court of Auditors. For the first time, each Commission department will have a civil servant charged with staying in touch with the court.

All these steps are taking place within the present legal framework; but Mr Liikanen is also talking about "a new partnership with the member states". This may suggest new rules or proposals for legislation later this year, the idea being to put the onus on member states to do more to tackle abuse and fraud.

More broadly, the Santer Commission has begun to grasp that it must sort out its own affairs if it is to exert authority in important matters such as European monetary union.

Unless the Commission tightens its own financial controls, how can it tell member states to slash budget deficits and cut public spending in order to join Emu? "Our own credibility is at stake," says a senior Commission official.

Europa: Holger Schmieding

Decline of enthusiasm

For most of the 20th century, Germany was a place apart in Europe. During the first 45 years, it was the epicentre of European turmoil. Too strong to acquiesce to the role of a mere equal among other European countries, it started two world wars. Too weak to take on France, Britain, Russia and the US at the same time, it lost both. For the next 45 years, Germany was a special place again. Defeated, demoralised and divided, it longed to establish credentials as a born-again European.

West Germany's Euro-enthusiasm reflected another clear political rationale. As long as Germany and Europe were divided, West Germany had few interests other than close integration with its western neighbours. Since eventual reunification appeared feasible only with a pan-European solution, Germany saw European political union almost as an end in itself.

The Maastricht treaty was the ultimate incarnation of this view. German reunification took place without political union in Europe, but in the treaty Germany agreed to sacrifice the Bundesbank for vague progress towards that end. However, Maastricht stands on quicksand. The premise on which it is built, that Germany is "special", no longer holds. The new united Germany bears little resemblance to the pre-war bully. It has become a country very little different from other large European nations.

Like its neighbours, Germany will come to weigh up agreements such as Maastricht on their own merits, rather than as part of some undefined political grand design. As a result, Germany's enthusiasm for European political union *per se* appears set to decline substantially. Ultimately, Germany may support such a project only to the extent that political union promotes its specific interests – another sign of convergence between German attitudes and its neighbours'.

Unfortunately, Maastricht may not stand a critical German re-examination. The provisions for monetary union do little to address Germany's concerns about the stability of money. Even at face value, the convergence criteria setting down EU members' eligibility for Emu are not ambitious.

Currency turmoil can only make the average German even more reluctant to let anybody but the Bundesbank run monetary policy

The first big snag is that the criteria are bound to be interpreted in a very soft way. Few people can imagine monetary union that excludes Brussels, the seat of most Euro-institutions. But if Belgium, with a ratio of public-sector debt to gross domestic product of 140 per cent, is to be let in, the 60 per cent debt criterion needs to be stretched rather far.

The second snag is the lack of serious constraint on fiscal deficits after Emu is established. If the criteria are to be breached even before the Bundesbank is abolished, what will prevent worse deviations thereafter? Any residual discipline would probably be lost in the usual scramble for Euro-compromises.

To rectify Maastricht's birth defects, Bundesbank representatives have called for a political union that is strong enough to impose fiscal discipline from above. The idea is not very convincing. Why should a European superstate run a better fiscal policy than the sum of its fiscally independent members? The experience of Germany and the US does not suggest that federal governments do a better fiscal job than state governments.

In any case, the nations of Europe would hardly agree to hand to Brussels their power to tax and spend. The subsidiarity principle would suggest decentralisation rather than centralisation of most fiscal policies. And financial markets are much better at punishing profligacy and rewarding fiscal virtue than Brussels could ever be.

Emu may not, strictly speaking, be on the agenda of next year's inter-governmental conference to review Maastricht. However, on present indications, the conference is unlikely to agree big changes to the treaty. If that is the outcome, the likelihood that Germany will indeed abolish the Bundesbank in 1999 appears small.

Which German politician will really want to fight Germany's federal election in late 1998 on the platform that he will shortly implement an unpopular currency union with countries which do not even really meet the Maastricht criteria? Recent currency turmoil can only foster Germany's pride in its own currency, and make the average German even more reluctant to let anybody but the Bundesbank run monetary policy.

Germany's conversion to a country that believes in co-operation but is also aware of its peculiar interests should not spell the end to European progress. But Europe needs to re-think its approach.

In the age of the new world disorder, as Mr Michael Stürmer, the German historian, has put it, European countries need to forge stronger political co-operation. But this should not be through a vain attempt to impose fiscal discipline from Brussels. Instead, Europe should concentrate on an effective pooling of defence policy to prevent further aggression as seen, by Serbia in the former Yugoslavia. A political union with emphasis on defence and foreign policy could make Europe a safer and better place.

Even a monetary union need not be a bad idea if it conserves a Bundesbank-style commitment to sound money. The European exchange rate mechanism has sometimes exerted a salutary influence on its members because it projected Bundesbank rigour beyond Germany's borders. In a future Emu, arbitrary Brussels criteria would not impose this type of discipline.

If, on the other hand, the statutes of a European central bank were to include an exit option, Emu's commitment to Bundesbank-type principles would be improved. Each country could be allowed, for instance, to reintroduce its national currency if European inflation went above a certain level – say, 3 per cent for more than two out of any four years.

European central bankers would thus face the constant threat that they could be out of a job if they botched their task. This threat that the Bundesbank could be resurrected would concentrate their minds wonderfully on what it takes to preserve the value of a European money. Such an exit option could crucially improve the German public's present low acceptance of the Emu project.

The author is senior economist at Merrill Lynch in Frankfurt

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

A fallacy about economists

From Professor Lord Desai.

Sir, Robert Chote has put together the usual sort of clichés about the nature of economics and of economists ("Decay of the dismal science", March 28). He repeats the common fallacy that somehow abstract mathematical theorising in economics is an obstacle to good policy analysis. But the most influential arguments that economists have been able to advance in recent years – the lack of trade-off between inflation and unemployment – came out of a rigorous argument by Professor Robert Lucas, who was able to persuade his fellow economists only because he stuck to abstract theory rather than waffle about political economy. Indeed, all good political economy needs a sound basis in economic theory, as Adam Smith, David Ricardo and Alfred Marshall proved.

The economists who are the prominent policy advisers – Jeffrey Sachs, Rudiger Dornbusch, Lawrence Summers, Stanley Fischer, Michael Bruno, and in the UK, David Currie and Patrick Minford – have all done their hard theoretical work in preparation of their work as policy advisers. Indeed, if they had not done so and won the respect of their fellow economists, they would not be credible as policy advisers.

There is no conflict between abstract theorising and good policy advice in economics; it is merely different phases of the life cycle of the economist.

Desai,
The Centre for the Study of Global Governance,
London School of Economics,
Houghton Street,
London WC2A 2AE, UK

Harassed by over-zealous inspectors

From Mr Bryan Cassidy MEP.

Sir, Francis Maude is right in his strictures about the flood of regulation from both Brussels and Whitehall ("UK must try harder to cut red tape", March 20). Can I add three further concerns to his list?

First, although the flow of Brussels *primary* legislation (such as parliament and council directives) has slowed substantially, as is witnessed by the 'C' series of the official journal of the European Communities which since January 1 seems to be full of calls for tenders, the flow of *secondary* legislation (commission directives and regulations) continues unabated, as a glance at the 'L' series of the official journal shows. Most of these are drawn up by national civil servants (including British) meeting behind closed doors in Brussels – a process known in Euro-jargon as "comitology".

Second, the tendency of Whitehall to "gold plate" EC measures continues despite the deregulation initiative. EC proposals become law in the UK as statutory instruments made under the European Communities Act 1972. Often they are laid before the Commons when it is in recess!

Third, small businesses are harassed by over-zealous local inspectors who seem to think that their job is to put small companies out of business. (The annual report of the Health and Safety Executive two years ago boasted of its "blitz" on small businesses).

Napoleon is credited with the remark that the British were "a nation of shopkeepers". Today he might remark that we seem to have become a nation of inspectors.

Bryan Cassidy,
European parliament,
97-113 Rue Belliard,
1040 Brussels, Belgium

Keep smokers right side of the border

From Mr Hugh Caldwell.

Sir, Your article, "Forget your passport – Europe's frontiers start to fade" (March 25/26), about the plans to speed passengers through Brussels Airport under the Schengen arrangements was welcome news. As a frequent user of the airport, I find there is one feature of it which certainly does not make me want to hang around.

Although the terminals are plentifully decorated with no-smoking signs, some aggressively unpleasant individuals choose to ignore them. The fact that nothing is done to stop them is perhaps the result of an inexplicably indulgent attitude towards some of their uglier customers rather than incompetence on the part of the airport management.

Who knows? Perhaps the "extra staff" laid on to guide passengers to the right area might point out to those blowing smoke around the terminals that they are liable to substantial fines. Passengers passing through the immense corridors and marble halls of the new terminal have a legal right to a clean and comfortable atmosphere free of tobacco smoke, but the airport authorities have not so far thought fit to meet their obligations. I rather wish they would. I don't see the sense, commercial or otherwise, of allowing the present degree of annoyance.

Hugh Caldwell,
Clos du Cinquantenaire 2-B8,
Brussels B-1040, Belgium

Record shows that Brookings not outgunned

From Mr Henry J. Aaron.

Sir, In one short news squib on the current search for a new president of the Brookings Institution, the Financial Times managed to show that it does not know who is on the short list, to write ungrammatically, and to comment nastily about Brookings' current standing ("No yen for it", March 24).

The article alleges the "grand old Brookings Institution ... seems to have lost its way and ... regularly gets outgunned by the more ideological rightwing" organisations such as the American Enterprise Institute and the Heritage Foundation.

Really? A count of citations in five leading US newspapers (The New York Times, The Washington Post, The Wall Street Journal, USA Today, and The Christian Science Monitor) reveals that Brooking scholars are cited twice as often as staff from either the American Enterprise Institute or the Heritage Foundation. A count of citations of four leading weeklies (Business Week, the Economist, Fortune and Time) reveals that Brookings scholars are cited nearly twice as often as staff at Heritage and three times as often as staff at the American Enterprise Institute.

We at Brookings hope and expect to continue to be "outgunned" in this fashion. Dare we hope that the Financial Times will write so that its opinions are not outgunned by the facts.

Henry J. Aaron,
director of economic studies,
The Brookings Institution,
1775 Massachusetts Avenue, N.W.
Washington D.C., US

Investing for changes in climate

From J.M. Wire.

Sir, The last lines of your editorial "Cool air at Berlin summit" (March 27) say "it would be ... disturbing if costly measures on a global scale were adopted to combat a threat where the margin of uncertainty is still so large". This must be a great relief to banks and insurers, whose Reinsurance Association of America president, Mr Frank Nutter, said in December 1994 that "Climate change could bankrupt the industry". Between September 1989 and September 1994 there were 15 separate weather disasters, each costing more than $1bn.

It is reckless for an august body like the Financial Times to abandon the concept of the precautionary principle when climatologists and financiers are at last beginning to agree that global warming does exist.

Investment in measures to cut emissions and improve energy conservation will always be cost-effective in cutting fuel bills, improving health and revitalising local economies.

J.M. Wire,
28 Pemberton Road,
East Molesey,
Surrey KT8 9LH, UK

Low-priced rolling stock

From Professor W.P. Bradshaw.

Sir, It was announced on March 20 that many international leasing companies see opportunities in the sale of British Rail's 11,000 locomotives and passenger carriages and that government believes £1bn will be raised as a result. Another announcement said BR had invited bids to supply 160 new electric carriages at an anticipated cost of £150m.

The conclusion that can be drawn from these figures is that the whole of the British Rail passenger fleet is likely to be sold for less than the cost of renewing the rolling stock of South East Trains, one of the 25 train operating companies being offered for franchising. This no doubt presents an opportunity for leasing companies, particularly as the leases will not be subject to regulation, but surely disposal of so much rolling stock for so little money will be at the expense of the railway passengers and the taxpayer?

Bill Bradshaw,
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FINANCIAL TIMES
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Tuesday April 4 1995

Contract with Republicans

This Friday, when the US Congress goes into Easter recess, the Republican party's Contract with America will be almost 100 days old. The contract, launched with the Republican landslide in November's mid-term congressional elections and intended as a manifesto for a radical shift to the right, has had some notable successes. But it has so far achieved less than its advocates hoped. And the policies which it has pushed through into legislation include some which are to be regretted.

Last Wednesday the contract suffered its first big defeat in the House of Representatives, with the loss of the constitutional amendment limiting the terms of senators and congressmen. Earlier this year, the Senate also rejected the contract's "balanced budget" amendment. While economically flawed, the proposal underpinned the Republicans' claim that their numbers added up, and that tax cuts were not irresponsible.

It would be an exaggeration to say that the rejection of these two central planks means that the contract has failed, or that voters will now conclude that all politicians renege on promises.

For a start, the contract strictly did no more than promise to bring these issues to a vote. That it has done. Moreover, it failed to get the two proposals through only by a small margin. While the term limits proposal failed to get the necessary two-thirds, it did secure an overall majority – surprising given the antipathy to the measure even in pockets of the Republican party. The balanced budget proposals lost by just one vote in the Senate. The contract has also achieved several of its authors' goals, including a much-needed reform of congressional practice, extending swathes of employment legislation to congress.

Republican harmony

The contract can also be credited with uniting the Republican party. It remains to be seen whether the present degree of harmony survives the presidential race. But the achievement should not be dismissed: the unity may well have given the Republican presidential candidate a more solid platform from which to run.

Those successes aside, it is unsurprising that the contract has run into serious obstacles. Much of it was incoherent, and the past three months have witnessed the inevitable crunch when an ideological manifesto meets reality. It deftly caught voters' anti-government mood, and their exasperation with the incumbents. But it may have mistaken that shout of frustration for revolution. Public passion on the issue of term limits appeared to peak last year, and had ebbed some way by the time of the vote.

Moreover, the pell-mell pace instigated by the contract threatens to produce rafts of bad legislation. For a party which describes itself as conservative, it adopts an astonishingly cavalier approach towards amending the constitution. In the constitution's history there have been only 27 amendments; these now risk being swamped under the contract's flurry.

Flaws in reforms

The proposal for reform of the tort system ranks among the contract's least thoughtful measures. There is no question the system needs change, given the escalation of costs and damages in the US courts. But the contract's proposals (now successfully through the House of Representatives), which introduce the "loser pays" principle, threaten to make legal action inaccessible for poorer people.

Even more importantly, the implications of the welfare reforms, which have already passed through the House, may be similarly harsh for the least well-off. The contract has also unhelpfully polarised the budget debate between those who favour regressive tax and entitlement changes and those who countenance no change at all.

The contract has given voice to public fury with politicians. But its recent setbacks reflect the way that its advocates may have over-estimated the appeal of the individual causes it champions. While it can be credited with stirring up the political debate, it has coarsened its terms, and begun to push through crude laws whose ramifications have yet to become clear. It has served its authors well as a Contract with Republicans, but does not yet deserve to be called a Contract with America.

Tax cuts and the Tories

We have it on the authority of Sir Winston Churchill that democracy is the worst possible system, except for all the others. If so, the others must be truly dreadful. In France, Mr Jacques Chirac is leading in the race for seven years of virtually untrammelled political power on a platform built of internal contradictions. In the UK, many in a desperate Tory party think it sensible to follow two years of tax increases with a promise to cut them again over the next three. Are electorates really so forgetful and myopic?

Mr Norman Lamont's last Budget and Mr Kenneth Clarke's first two proposed increases in taxation that amount to £13.5bn in 1995-96, just short of 2 per cent of GDP. Partly because of these tax increases, but also because of plans for tight control over public spending and unexpectedly rapid economic growth, a public sector borrowing requirement that peaked at 7 per cent of GDP in 1993-94 is now forecast to disappear by 1998-99.

The bright new idea of some Tory dreamers is for the government to commit itself to an election-straddling programme, to cut the basic rate of tax from 25p to 20p in the pound, which would cost the Treasury about £10.5bn. If one allows for a modest overshoot on plans for public spending – to cover increased pay to teachers and nurses, for example – the amount raised by the three last Budgets could well disappear.

Politically astute move

It is a plan to raise taxes sharply when the economy is just recovering, only to give almost all the money back when it is at full capacity, anything other than mad? Politically, it may not be. The government has raised taxes in relatively invisible ways. To lower them again in more visible ones could prove rather clever. It could be no less politically astute to raise taxes on people who are never likely to vote Conservative and, after a suitable delay, lower them on people who are. The tax increases of the past couple of years were not particularly clever in this respect, since they were not regressive, in contrast to tax changes in the 1980s. But a large reduction in the basic rate of tax would make up for that oversight, if oversight it was.

This is no more than fiscal prestidigitation. What determines the burden of taxation is the ratio of public spending to GDP. In 1995-96, it is expected to be 42½ per cent. Since this is less than two percentage points lower than in 1979-80, the government would have been foolish to implement large overall tax cuts. It has merely reshuffled the tax burden, with the overall ratio of general government receipts to GDP in 1995-96 at 38% per cent, precisely what it was in 1979-80.

Optimist's view

The Treasury now forecasts the ratios of general government spending and receipts to GDP at very close to 40 per cent in 1998-99. The short-sighted optimist might argue that this is more prudent than required. A reduction in the tax burden – through cuts of less than 2 per cent of GDP – would hardly seem disastrous.

Maybe it would not be, but it would certainly not be prudent. Remember, first, that the disappearance of the fiscal deficit is forecast at what is almost certain to be a cyclical peak; second, that public spending is forecast to grow at the implausibly low rate of less than 1 per cent a year in real terms between 1995-96 and 1998-99; third, that much can go wrong with the economy and the fiscal position, as was brutally demonstrated in the early 1990s; and, last but far from least, financial markets are in a mood to punish savagely any government whose commitment to fiscal prudence is questionable. Anyone who believes that the credibility of the UK is now such that the gilt and foreign exchange markets would be unaffected by a proposal to reverse most of the tax increases of the last couple of years is day-dreaming.

It was a great – and insufficiently applauded – achievement to make the UK's public finances look impregnable. It would be the height of folly to throw that achievement away. Carefully articulated tax reform is a good idea. A programme of tax cuts balanced by spending reductions is also justifiable – and would provide some distance between government and opposition. But the proposals now being floated are absurd. They should be put in Mr Major's dustbin.

A troublesome trajectory

Japan has yet to devise a strategy that can deal with the rise and rise of the yen, says Gerard Baker

As the world's currency markets continue to batter the dollar, the sharp rise in the yen is causing increasing concern among Japan's business executives and bureaucrats.

Yesterday the US Federal Reserve joined the Japanese central bank for the first time in several years and intervened in far eastern markets in another attempt to drive down the Japanese currency.

But as the yen brushed off attempts to restrain its ascent, the view was growing in Tokyo that the time had come for a more dramatic change of course to address the economic fundamentals that have pushed the currency so high.

Those familiar with the progress of psychological traumas will have little difficulty recognising the response of the Japanese authorities to the current crisis.

First there was denial. For a while, the Bank of Japan and some members of the government would not accept that the yen's rise posed a real threat to the economy. Last month, Mr Yasuo Matsushita, the governor of the central bank, said: "It is hard to believe that the high yen will curb the recovery that is proceeding naturally."

But as the effects on exporters and the wider economy became clearer, denial gave way to blame. The government accused speculators and even other governments for pushing the currency higher. "The main cause is speculation, helped by the inaction of the US authorities to defend the dollar," said Mr Masahiko Komura, director of the Economic Planning Agency.

Now the reality has seeped in. Last week, Mr Yutaka Yamaguchi, director of policy planning at the Bank of Japan, acknowledged that the "tempo" of recovery had slowed, and that the central bank needed to act to assist recovery. Meanwhile the country's newspapers are filled with increasingly urgent calls from cabinet ministers for something to be done to stop the yen's ascent.

The real risk for Japan is not that a strong recovery is being derailed by the yen's surge. The bigger problem is that the recovery was never that strong to start with, and is in danger of disappearing altogether.

For three years from 1990, Japan's growth rate declined, turning negative in 1993. Last year, gross domestic product edged back up slightly, growing by about 0.6 per cent.

The return to positive growth last year cannot properly be termed a recovery, however. Japan's long-term trend rate of growth, while much lower than the 10 per cent average achieved in the 1950s and 1960s, is still estimated by most economists at between 3 per cent and 3.5 per cent a year.

The government and the bank acknowledge that a soaring yen will force the growth rate down, deepening the recession. But there is little sign yet of a significant shift in policy. Instead the bank prefers to sit tight and let what it sees as a temporary storm blow over.

As the bank claims, there have been short-term and speculative factors behind the yen's surge in recent weeks. But they have themselves been driven by much more important fundamental shifts in capital flows that favour the yen.

The most important cause of the appreciation of the Japanese currency is the country's success as an exporter which creates an enormous current account surplus with the rest of the world. In the past, that surplus has been counterbalanced by net exports of long-term capital, in two main forms: direct investment – for example, in companies and property overseas; and purchases of foreign stocks, bonds and other investments.

Until 1990, the capital outflow was roughly equivalent to the current account surplus. Japanese investors were happy to buy foreign companies and securities which they saw as having sufficient value in their own right – they did not require a significant exchange rate incentive (that is, a much lower dollar) to buy them.

But after 1990 something extraordinary happened. Instead of recycling the yen surplus, Japanese companies began adding to it. The long recession in the country reduced the appetite for overseas investment. And after the yen's earlier rise in the late 1980s, Japanese corporations, investment trusts and life assurance companies had lost billions of dollars on their foreign assets. In 1991, there was a long-term capital inflow of more than $35bn.

"After 1990 the investment environment overseas for Japanese companies deteriorated sharply," says Mr Takashi Yamanaka, senior economist at Sanwa Research Institute, research arm of Sanwa Bank. "The burst of the bubble in asset prices weakened almost all financial institutions, while foreign investments became less attractive."

Fear of further losses from a rising yen made more companies bring their investments back home. Even though the net outflow of long-term capital resumed in the next two years, it was far smaller than the current account surplus. That created a shortage of yen worldwide to pay for Japanese exports, forcing up its exchange rate further – particularly against the dollar, since the largest single element of the surplus is a large trade gap with the US. The gap had to be met by short-term money – capital flows that are much more volatile.

Last year it appeared that the process might have begun to reverse itself. Japanese long-term capital again began flowing abroad at levels which almost equalled the current account surplus of $129bn.

However, these flows were not all that they seemed. The bulk was in yen bonds issued overseas, usually by Japanese companies outside the country taking advantage of lower costs of borrowing abroad. Euro-yen are counted as foreign securities, but they do not represent an exchange risk to a Japanese buyer who can repay them in yen. The Japanese are estimated to have bought $65bn in Euro-yen bonds last year.

Japanese investors will return to foreign markets in numbers only when they are convinced that the yen has stopped rising. They do not believe the yen has touched bottom because they do not yet believe that the country's current account surplus has stopped growing. Until they are sure of that, they will continue to prefer to hold yen.

This week marks the beginning of the new financial year in Japan, when Japanese institutional investors traditionally make their portfolio allocations for the new year. With the yen's strength underlining the risk of holding foreign assets, few are planning to increase their holdings of overseas assets in the next year.

That presents the Japanese authorities with a bigger challenge than ever in trying to halt the appreciation of the yen. In principle, the yen's rise should help in reducing the current account surplus by making exports more expensive – but that is likely to take years. Despite an appreciation of more than 50 per cent in the yen's exchange rate against the dollar in the last decade, the current account surplus has hardly changed. Even if the high yen brings down the surplus, it will be at the cost of a badly bruised economy.

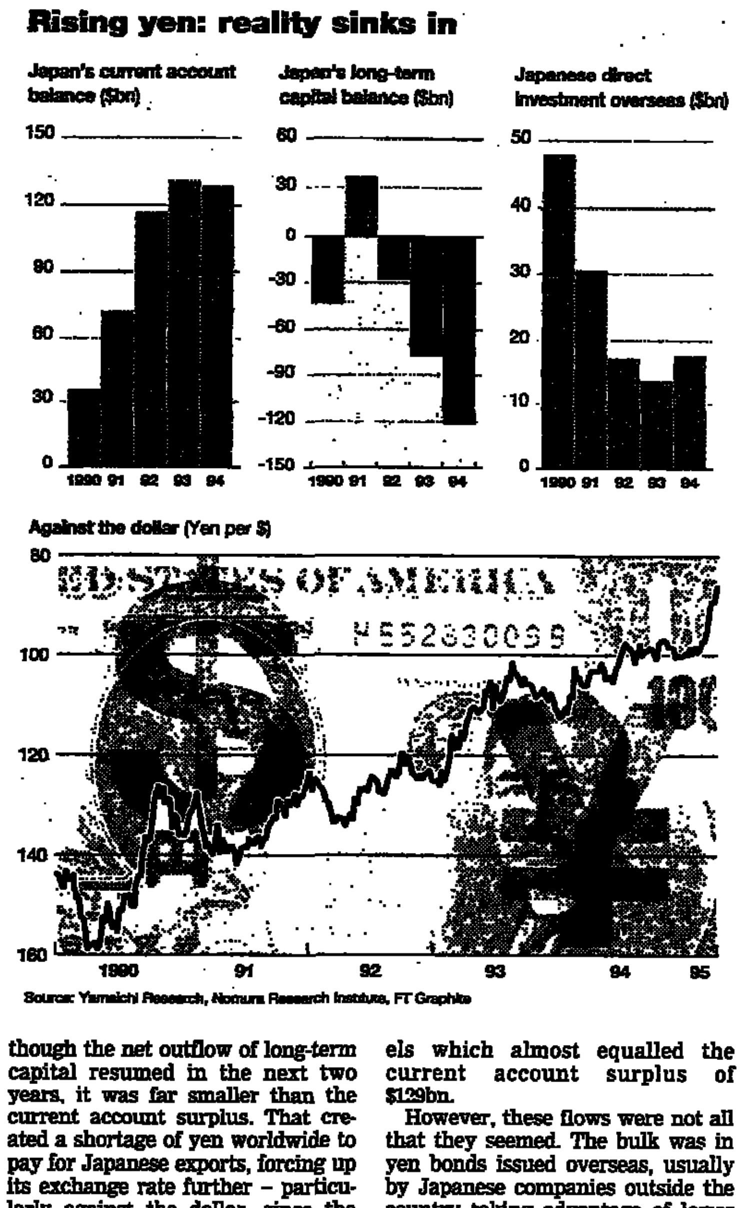
The alternative is to to stimulate consumption – Japan's chronic economic deficiency. But while consumption has been rising as a proportion of final demand, it has not risen enough even to begin closing the current account deficit.

And efforts to increase imports by eliminating the panoply of regulations that hinder them have been too half-hearted. The government's latest and long-awaited reform package announced last Friday disappointed yet again by stopping well short of the sort of measures that would induce consumers to spend sufficiently to reduce the current account surplus. Even if the government were to accelerate the pace of reform, it would be a long time before the effects fed through.

A more immediate move to raise consumption would be a monetary stimulus in the form of a sharp cut in interest rates. Yet when the central bank cut money market rates last Friday, it contented itself with trimming money market rates, refusing to cut the more significant official discount rate.

Yesterday the markets responded predictably. The yen shot to another all-time high, and the stock market plunged to its lowest level for two and a half years.

Until the authorities respond with the eagerly awaited and symbolic interest rate cut, the yen and the stock market seem set to continue to head in opposite directions.



Source: Yamaichi Research, Nomura Research Institute, FT Graphite

Retreat of the greens

Economic logic lies behind the backlash against environmentalism, says Bronwen Maddox

Not many delegates at the international jamboree on global warming, which ends in Berlin on Friday, have been carrying copies of *Small is Stupid – Blowing the whistle on the Greens*. The book, by Wilfred Beckerman, a recently retired Oxford University economics professor, sets out to debunk some of the most cherished prophecies of doom peddled by environmentalists. So strong are the arguments which he musters against the supposed threat of global warming that if delegates heading for Berlin had read his text they might well have turned back at the airport.

The book is just one of several published in recent months attacking the claims of greenery, including two by environmental journalists, *Life on a Modern Planet* by Richard North and *Down to Earth* by Matt Ridley. Such books are seen – rightly – as signs of a backlash against the environmentalist movement.

Public awareness of environmental issues has risen steadily in the past 15 years in western countries, and support for campaigns has remained steady during recession. But "green" parties have largely failed to convert that interest into political power. The German Greens, while rallying slightly at the moment, have suffered defeats in successive national and European elections in recent years. In contrast to the enthusiasm which western politicians and the media displayed at the Rio de Janeiro Earth Summit in July 1992, the mood is now one of scepticism and caution.

One reason for the change of sentiment, as all three authors argue, is that many people are fed up with alarming prophecies which fail to happen. Green politics would have had an easier time in recent years if the shortages of food and energy much-forecasted in the 1970s had come about.

In the case of global warming, scientific knowledge is still incomplete. Scientists agree that concentrations of carbon dioxide and other "greenhouse" gases are increasing in the atmosphere because of people's activities. But they are far from agreed about the possible consequences, and some respected predictions of the degree of warming and of the rise in sea level have been revised down several times.

Moreover, it has become clear that the costs of taking steps to reduce the threat are high, and deeply unpopular with industrialists and the public in many countries.

Energy taxes were the measure favoured by western governments at Rio to curb carbon emissions. Yet proposals for such taxes have stalled in the US and European Union, while the UK government's introduction of value added tax on domestic heating fuel embroiled it in one of its fiercest political contests.

A third factor behind the backlash is the difficulty of reconciling some environmentalists' goals with the aspirations of many developing countries. Such conflicts came to a head during the Uruguay round of the General Agreement on Tariffs and Trade. Harsh criticism has been levelled at those western environmental groups which appear to put the preservation of forests and landscape in poor countries above the needs of their people for energy, refrigeration, and higher incomes.

Many environmentalists would argue that the contradictions identified by the "backlash" authors are more apparent than real. "Sustainable development" – meaning economic growth without over-exploitation of natural resources – has become the catchphrase in environmental circles for the way of addressing the needs of poor countries. It has also become the central plank of many governments' environmental policies.

However, Beckerman has performed a public service by showing that the "sustainable development" concept is often meaningless. The phrase originally evolved from studies of the threat to tropical forests and whales. In those contexts it has a clear meaning: some policies will allow the trees and whales to survive, others will not. But when extended more widely, the meaning becomes slippery.

Almost all human activity consumes natural finite resources such as fossil fuels. Environmentalists have therefore tended to abandon definitions of "sustainability" which suggest that the environment should be preserved intact.

Instead, many interpret sustainability to mean that "well-being" should be preserved. In this equation, manmade capital such as schools and hospitals can compensate for the erosion of the environment. But as Beckerman adroitly points out, this is no different from the traditional economists' goal of maximising welfare. Green economists might put a higher value on the environment in that equation, but the concept adds nothing new.

The vocabulary of sustainability appears to offer a way to avoid tough choices, to balance "environmental and economic needs", another favourite phrase of green strategists.

However, the lesson of the three years since Rio is that preserving the environment presents people with uncomfortable and inescapable dilemmas. They choose to protect the environment much less often than green lobby groups would wish.

OBSERVER

Brussels bouillabaisse

■ Hacks spend most of their lives fishing for decent quotes, not least the 800 or so hard-bitten scribblers comprising the Brussels' press pack. The scraps they are fed normally come from anonymous press spokesmen, but two involved in the EU-Canadian fish fracas have become media figures in their own right.

Peter Guilford, the 34-year-old Brit who has served Sir Leon Brittan since joining the commission in 1991 after a spell at The Times newspaper, is fluent in French and Spanish, skills which endear him to the multilingual press corps. Now popping up on British radio and TV, he honed his ability to field tricky questions as spokesman during Gatt talks to settle the Uruguay Round on trade. "This is a tea party by comparison," he says.

This might just be the beginning of a long and fruitful relationship with Canada for Guilford. As Sir Leon's spokesman, he faces the prospect of taking the flak for negotiations between the EU and Nafta on a free trade agreement.

His Italian colleague Marco Zatterin, 33, another ex-journalist, has been ably assisting the abrasive Italian Emma Bonino, the commissioner responsible for fish, among other things. Now a regular fish war pundit on the Mediterranean's airwaves, Zatterin might be flagging: "I did not know 50 days could seem so long." That would be a pity; his dry humour eases the unrelieved diet of gruel served up at daily commission briefings.

Miles on top

■ Michael Miles, 58, former taipan of John Swire & Sons, the far eastern trading house, has emerged as one of the few winners in the management reshuffle at Barings. With Peter Baring and Andrew Tuckey resigning yesterday, Miles has been given the job of co-chairing the management committee of Baring Brothers, the City's oldest merchant bank.

He has always been a rather shadowy figure at Barings. After Wellington College and National Service in the Duke of Wellington's Regiment, he joined Swire in the far east in the 1950s and headed Cathay Pacific and Swire Pacific. Many regarded him as a trusted family retainer for the Swire brothers' £2bn family fortune.

He sat on Barings board as a non-executive for five years and then was suddenly transformed into executive deputy chairman – number three in the pecking order – just 16 months ago. He is not a banker, although he sat on the board of the Hongkong and Shanghai Banking Corporation when he was running Swire in Hong Kong. When he was appointed deputy chairman, it was assumed that Barings wanted him for his far eastern contact book rather than his management skills.

How wrong can you be? Miles now has the job of rebuilding morale and stopping defections to rival merchant banks. Not that he needs that unenviable job – he remains an executive director of John Swire & Sons.

Holy Internet!

■ Good news for latter-day Luddites. Your prejudices are confirmed – the information superhighway is full of junk.

Much of the stuff on the global computer network is "rubbish", said Brian Carpenter, head of communications systems at the European Laboratory of Particle Physics, CERN, at a UN Internet forum in Geneva yesterday.

Net surfers need not take offence, however. By rubbish, Carpenter meant not quality but quantity. As there is no compulsory expiry date on any of the electronic data, it can hang around for years, like dead satellites clogging up a virtual galaxy.

Mind-boggling stuff.

Beyond credit

■ Looks like its financially disastrous past is having little effect on Crédit Lyonnais's current attempts to drum up new business – at least when the work comes from state-owned companies.

Yesterday the publicly-held Paris airports authority became the latest, signing up the bank as underwriter on a new FFr700m bond issue. If that is somewhat breathtaking, it's as nothing compared to Crédit Lyonnais' appointment a few weeks ago as one of the advisers to Usinor Sacilor, the state-owned steel company, on its forthcoming privatisation. The bank also just happens to be a 20 per cent shareholder in the company, and is under government pressure to sell its stake as quickly as possible.

Maybe Usinor thinks the urgency will override any conflict of interest the bank might have in offering advice designed to push up the sale price of the shares – and hence cover its own massive losses.

Love and kisses

■ It seems that the sex life of Finnish women has become much more enjoyable in recent years, significantly enhanced by "the wonderful things they have learnt, more particularly from British and Danish boys", according to professor Elina Haavio-Mannila, the sociologist author of a new survey of sex among the Finns.

The Danes have presumably taught warm affection; and the Brits the importance of emptying the can of lager *before* getting into bed.

The Financial Times

100 years ago

Inside selling allegations
Speech by Sir William Van Horne, President of the Canadian Pacific Railway, in Montreal:

"Reference has recently been made in some of the financial journals abroad to what is called 'inside selling' of the company's shares, presumably by directors or others ... in a position to be familiar with its affairs.

"While some of the directors have incurred heavy risks and made perhaps unwarranted sacrifices in its interest, it can safely be affirmed that no one of them has been individually benefited to the extent of one penny through any of its works or operations."

50 years ago

Holidays on end of war
In view of the development of the war against Germany, the government recognises that industry will be looking for a lead regarding the arrangements for a holiday on the cessation of hostilities. So far as government factories and government services are concerned, the day of the announcement of the European cease fire, together with the day immediately following, shall be days of paid holiday.

FINANCIAL TIMES
Tuesday April 4 1995

European and Asian recovery helps biggest rise since 1976

World trade in goods jumps 9%

By Frances Williams in Geneva

World trade in goods soared by 9 per cent in 1994, more than double the previous year's increase, the World Trade Organisation estimates.

It says volume growth is the fastest for nearly 20 years.

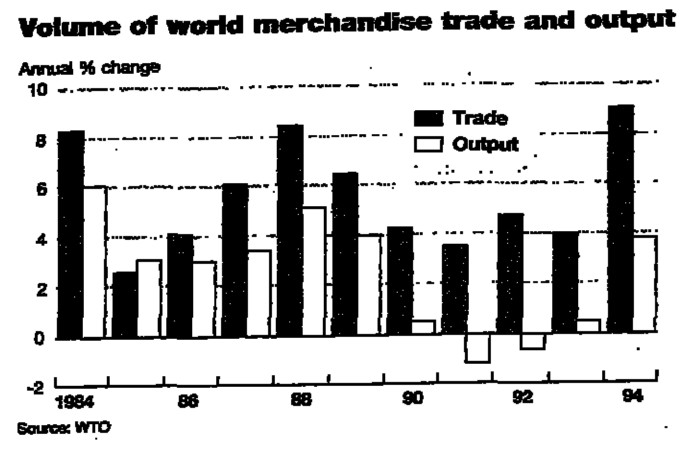
In value terms, world merchandise trade rose by 12 per cent to a record $4,000bn, boosted in part by a jump of about a fifth in trade in office machines and telecommunications equipment, including computers, computer parts and semiconductors.

That category now accounts for 11 per cent of world goods exports by value – more than food, automotive products, chemicals or fuels.

Further strong trade expansion is expected this year, although the WTO – the successor body to the General Agreement on Tariffs and Trade – says recent turmoil on world financial markets may mean slower volume growth than the 8 per cent its economists had earlier predicted.

The surge in world goods trade last year, the biggest volume rise since 1976, reflected a sharp recovery of trade in western Europe and continued expansion in Asia, North America and Latin America.

Volume of world merchandise trade and output



Source: WTO

Value growth was stronger than volume growth, mainly because the weaker dollar raised average dollar prices for internationally traded goods, while non-fuel commodity prices were sharply higher.

Mr Peter Sutherland, outgoing WTO director-general, said in a speech in Ottawa last night that the "dramatic" 1994 trade figures were due in large measure to the successful conclusion in December 1993 of the Uruguay Round of global trade talks.

"The renewal of confidence in the multilateral trading system that came with the decision to set up the WTO, and the assurance of continuing trade liberalisation that it represents, are undoubtedly principal factors in revitalising trade-led growth."

The growth of trade far outstripped the 3.5 per cent rise in world output of goods – a reflection, Mr Sutherland said, of the continuing integration of national economies through trade.

However, the value of cross-border services trade grew far more slowly than merchandise trade last year, rising by 6 per cent to $1,080bn after a decade in which it has on average expanded more rapidly.

Most regions saw rapid merchandise trade growth last year, the exceptions being the Middle East and Africa, which were affected by low oil prices. Asia increased exports and imports by more than 15 per cent, with Chinese exports climbing by nearly a third in value.

Latin America boosted exports by 15 per cent and imports by 16.5 per cent. Exports from central and eastern Europe, helped by the recovery in western Europe, jumped by almost 20 per cent.

Sutherland warns over meddling with WTO, Page 5

Major call to Clinton on IRA arms

By Robert Peston, Political Editor, in Washington

Mr John Major will today ask US President Bill Clinton to step up pressure on Sinn Féin to persuade the IRA to give up its vast arsenal of weapons.

The UK prime minister is anxious to patch up relations between the UK and US governments after last month's argument over the invitation of Mr Gerry Adams, Sinn Féin leader, to a White House reception.

In separate meetings yesterday with Mr Warren Christopher, the US secretary of state, and Mr Bob Dole, the Republican Senate leader, Mr Major gave graphic accounts of punishment beatings still being carried out by the IRA, in order to increase the moral force of his arguments with the US administration.

Mr Major emphasised to both Mr Christopher and Mr Dole that there was no possibility of a UK minister beginning exploratory peace talks with Sinn Féin until it accepts the principle that the IRA's decommissioning of weapons must precede any discussion of scaling down the military activities of the British army or the Royal Ulster Constabulary in Northern Ireland.

Mr Christopher made a gesture towards resolving the dispute between the two governments, which arose over Mr Clinton's decision to give a US entry visa to Mr Adams. Speaking after a breakfast meeting with Mr Major, Mr Christopher said that the dispute was "now ancient history".

Mr Major also tried to lower the stakes in the contretemps. "Occasionally, there are spats as there are in the best of families," he said. "But they are very rare."

However, the prime minister explicitly rejected the term "special" – used by previous UK and US leaders to describe Anglo-American understanding – when describing the relationship between the two governments.

During the meeting, Mr Christopher gave assurances to Mr Major that the US government would carefully audit the destination of any funds Mr Adams was raising from the US, to ensure they are not used for arms purchases.

Later in the day, Mr Major found himself at odds with Mr Dole, who told the prime minister he expected Congress to vote in the coming months for an end to the embargo on arms sales to Bosnia, contrary to UK policy.

However, Mr Major's position on Bosnia was backed by Mr Christopher.

Barings top executives go

Continued from Page 1

Barings with Mr Tuckey, would take his post as co-chairman of Baring Brothers. Mr Onno van den Broek remains the other co-chairman.

The Bank of England, which is investigating the collapse, said it had put no pressure on the men to resign.

The future of other executives who have been criticised for failing to resign may await the outcome of a Bank of England inquiry. ING has said that it does not want to prejudge the outcome of the inquiry by dismissing executives.

Mr Alistair Darling, Labour's City spokesman, said he did not "regard Mr Baring's departure as the end of the matter". He said it would not be closed until "effective action is taken against anybody who was at fault".

Russia ignores US pleas to cancel Iranian reactor deal

By Chrystia Freeland in Moscow

Russia yesterday rejected US pleas to cancel a planned billion-dollar sale of nuclear reactors to Iran, and threatened to stop complying with a conventional arms treaty if Nato rapidly admits east European countries.

The twin rejections were a chilly welcome for Mr William Perry, US secretary of defence, who had arrived in Moscow as a sign of the Clinton administration's continued faith in a close Russian relationship, even in the face of criticism from a hawkish Congress.

After meeting Mr Perry yesterday, Gen Pavel Grachev, Russian defence minister, put muscle behind Moscow's long-standing opposition to Nato's proposed eastward expansion.

He warned that if the alliance expanded too quickly Russia might take "counter-measures", including breaking the rules of the Conventional Forces in Europe treaty which limits numbers and distribution of troops and armour.

Mr Victor Chernomyrdin, Russia's prime minister, delivered the second rebuff by refusing to comply with one of America's chief requests, that Russia stop its planned nuclear reactor deal with Iran, which the US fears could boost Tehran's efforts to acquire nuclear weapons.

Mr Bill Clinton, US president, is expected to raise the issue again when he visits Moscow next month.

Russian leaders also attacked Mr Perry for inappropriately raising the Iran deal during his meeting with the minister of defence. "The defence ministry has nothing to do with the sale of nuclear reactors," said Mr Victor Mikhailov, the nuclear energy minister, who was at Mr Perry's meeting with the prime minister.

Mr Perry told Mr Chernomyrdin that the US "does not share Russia's confidence" that tight controls on spent nuclear waste from the reactors would ensure Tehran did not use the material in a nuclear arms programme.

"The country [Iran] is awash with oil," Mr Perry said. "It is entirely clear, even to the casual observer, that Iran does not need nuclear reactors to generate electricity.

"So one starts off being suspicious of why they want nuclear reactors."

THE LEX COLUMN

A yen for change

Nothing but a weakening of the yen is likely to spur a recovery in Japan's ailing equity market. And given the current political paralysis in the midst of what could fast become a financial crisis, there is little cause for confidence. The Nikkei average has now fallen 22 per cent this year. A rising yen has made exports less competitive. More importantly, it has had a knock-on effect on salaries in manufacturing and has created a "feel-bad" factor among consumers. The long-awaited resurgence in the Japanese economy has therefore been pushed ever more into the distance. And falling equities have further damaged the balance sheets of a heavily invested corporate sector.

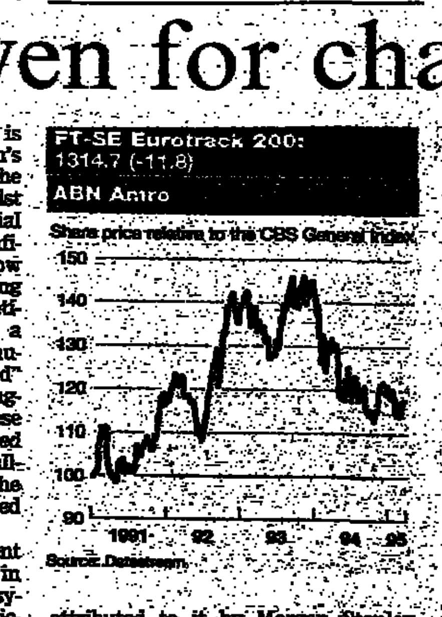
In the short term, the government needs to follow up last week's cut in money market rates with a more psychologically important cut in the discount rate. But this would merely buy time. Japan needs to implement fundamental structural change. Deregulation of the economy would remove protective barriers against imports, helping reduce the current account surplus which has led to currency strength. It would encourage greater economic efficiency. And it should also spark increased investment overseas by Japanese, as fears of currency losses were reduced.

However, there are no signs that the government is prepared to bite the bullet since deregulation would cause short-term pain to the electorate. A more likely cut in its discount rate, and a rise in US rates, would buy a temporary respite to Japanese ills. But structural flaws would remain.

Volvo

Volvo's assurance that it has sought and found the best deal for its shareholders by pulling out of food and beverages cannot be taken entirely at face value. The structure of the transaction suggests that Volvo has made a trade-off between finding an industrial, Scandinavian solution to the withdrawal, and maximising returns for its investors.

The estimated SKr3.8bn proceeds are at the lower end of analysts' expectations, but the real problem with the transaction is that Volvo has not, after all, made a clean break with foods and beverages. Far from it: it has entangled itself further in non-automotive activities by acquiring a majority stake in a new beverages joint venture with Orkla. Volvo's interest in this may one day be worth the SKr4.6bn



Source: Datastream

attributed to it by Morgan Stanley. But the valuation basis has not been disclosed, although it looks ambitious as a multiple of more than one times the new group's sales. Moreover, the amount which eventually finds its way into Volvo's coffers depends on imponderables such as the vagaries of the Swedish stock market in the next year, and the management's success in extracting synergies from the combined businesses.

Continued exposure to such uncertainties is not in shareholders' interests, and one wonders just how large were the offers for the businesses from non-Scandinavian consortia. Perhaps it would have been worth accepting a slightly lower sum in return for immediate disengagement from the non-core activities.

Repsol

The poor performance of Repsol shares in the past 18 months is a good reason for participating in the latest leg of the Spanish government's privatisation programme. The stock now appears undervalued, given the company's above-average growth potential: it is trading on a multiple of 8.7 times expected 1995 earnings compared with around 14 times for many oil majors, and is also cheap on a cash-flow basis.

Repsol's joint venture in exploration and production in Libya and its strong position in the relatively undeveloped Spanish gas market should help boost profits, as well as reducing the company's reliance on refining. Its once loss-making chemicals business is enjoying a cyclical upturn. The shares' underperformance is largely due to the overhang of stock since the Repsol sale was postponed last year, because of adverse market conditions.

The new deal has been cleverly managed. Wary retail investors have been enticed by guaranteed compensation for any fall of up to 10 per cent in the share price in the first year. The ploy has proved effective: the retail portion of the transaction has just been increased due to the heavy flow of advance orders. When the government tries to sell more shares in Endesa and Argentaria, both of which are currently trading below the price paid by investors at the last sale, it is likely to find that a precedent has been set. Other governments should take a closer look at the idea, since the guarantee is cheaper than rewarding investors' loyalty with bonus shares.

UK taxes

Financial markets are unworried by talk in the Conservative party about a £10bn three-year programme of tax cuts. The cynical view in the City is that it would be astonishing if the government did not bribe voters with tax cuts in the run-up to the next general election. The 150 basis points spread between gilt and bund yields already discounts some such a give-away. Moreover, there is unlikely to be a problem affording £10bn of tax cuts. The public sector borrowing requirement would not fall as quickly as the Treasury projects. But it would continue to drop and the UK's fiscal position would still be the envy of many other European countries.

The risk is less one of not having money to pay for tax cuts than of stoking up an economy that is already growing above trend. The interest rate increases of recent months may help nip inflationary pressures in the bud. But any government that committed itself to tax cuts three years out would be giving a hostage to fortune. The performance of the economy cannot be predicted with any confidence at such a distance. If fiscal expansion proves mistimed, it will have to be balanced by a more severe monetary tightening.

The government has yet to receive much credit in financial markets for the tax increases of recent years – precisely because most investors expect them to be reversed. If Mr Kenneth Clarke, the chancellor, can resist pressure from colleagues, the market surprises will be on the upside.

See additional Lex comment on market-making, Page 28

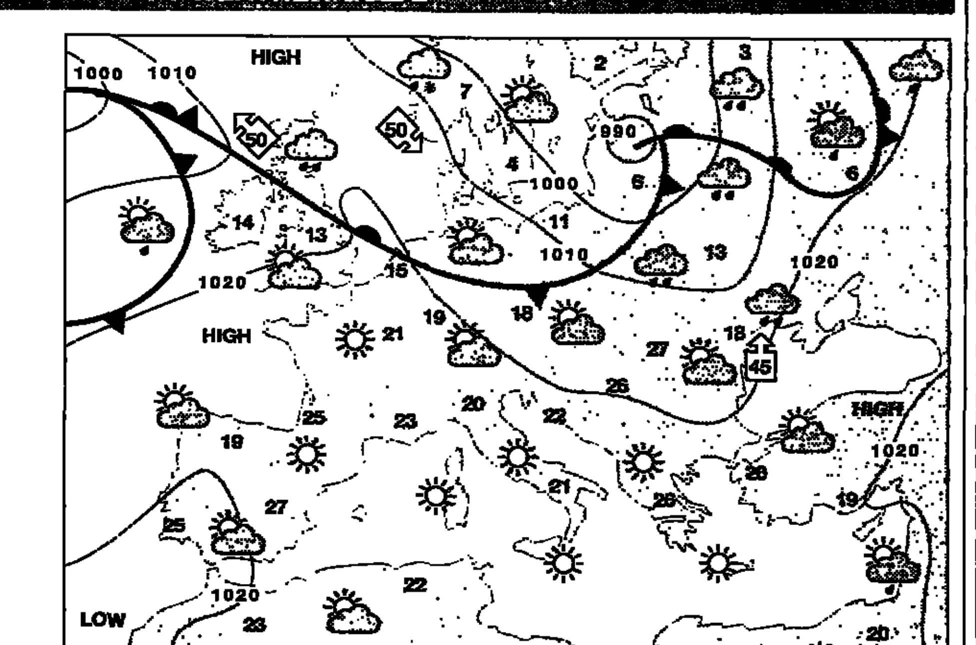
FT WEATHER GUIDE

Europe today

High pressure over France will slowly strengthen, giving plenty of sun with some cloud over France, Spain and the Alps. North of the high, a frontal zone will linger from northern Ireland and Scotland to the Netherlands, Poland and the Baltics. This front will separate cold air in the north from warmer air over the southern UK, France and central Europe. The front will cause rain over north-west Britain and the Benelux will have cloud interspersed with sunny spells. Farther east, the front will become active again resulting in mostly overcast conditions. The Mediterranean will be sunny and central Europe will be dry with sunny spells.

Five-day forecast

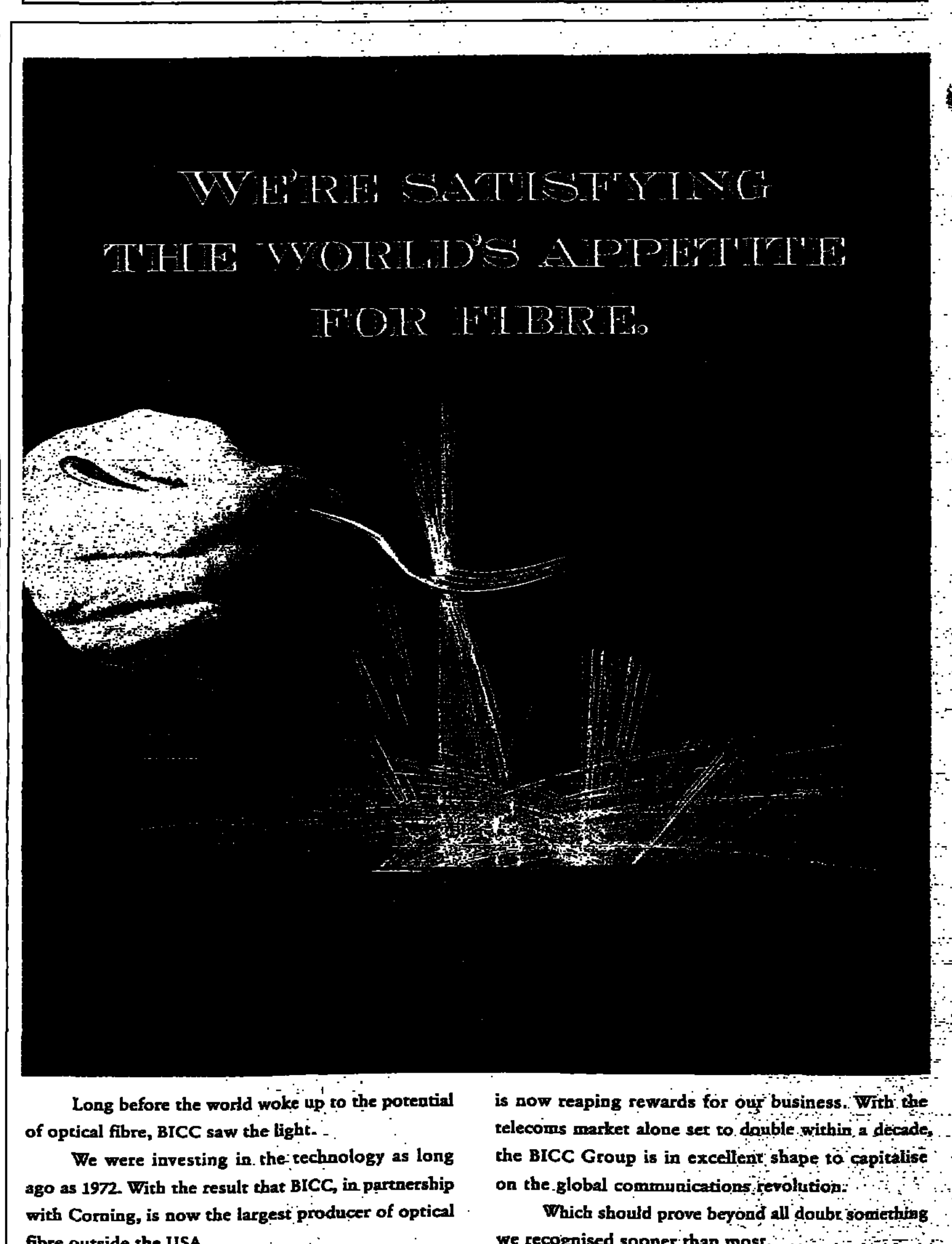
Ireland, England, the Netherlands and Denmark will have rain on Wednesday as a frontal zone moves east. Conditions in north-west Europe will then improve as high pressure builds near the UK. During Thursday, the north-west UK will have rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius		Beijing	sun	20	Caracas	fair	29	Faro	fair	22	Madrid	fair	24	Rangoon	sun	35
Abu Dhabi	sun	33	Belfast	rain	12	Cardiff	cloudy	12	Frankfurt	fair	21	Majorca	fair	21	Reykjavik	fair	2
Accra	cloudy	34	Belgrade	sun	26	Casablanca	shower	21	Geneva	sun	20	Malta	sun	20	Rio	cloudy	27
Algiers	sun	22	Berlin	cloudy	14	Chicago	cloudy	1	Gibraltar	fair	20	Manchester	cloudy	14	Rome	sun	20
Amsterdam	fair	12	Bermuda	shower	18	Cologne	cloudy	18	Glasgow	rain	10	Manila	cloudy	32	S. Frsco	sun	20
Athens	sun	21	Bogota	shower	21	Dakar	fair	25	Hamburg	fair	10	Melbourne	fair	23	Seoul	sun	18
Atlanta	shower	19	Bombay	sun	32	Dallas	sun	25	Helsinki	fair	4	Mexico City	fair	27	Singapore	cloudy	33
B. Aires	fair	25	Brussels	fair	15	Delhi	fair	30	Hong Kong	cloudy	20	Miami	fair	27	Stockholm	sun	6
B.ham	fair	14	Budapest	fair	21	Dubai	sun	32	Honolulu	fair	29	Milan	sun	23	Strasbourg	fair	21
Bangkok	fair	35	C.hagen	cloudy	7	Dublin	cloudy	14	Istanbul	sun	18	Montreal	rain	6	Sydney	sun	23
Barcelona	fair	19	Cairo	sun	20	Dubrovnik	sun	22	Jakarta	cloudy	31	Moscow	rain	6	Tangier	fair	23
			Cape Town	fair	23	Edinburgh	rain	9	Jersey	cloudy	10	Munich	fair	18	Tel Aviv	cloudy	18
									Karachi	sun	35	Nairobi	cloudy	26	Tokyo	sun	16
									Kuwait	fair	29	Naples	sun	21	Toronto	cloudy	2
									L. Angeles	sun	24	Nassau	cloudy	28	Vancouver	shower	13
									Las Palmas	fair	22	New York	rain	14	Venice	sun	20
									Lima	fair	27	Nice	sun	18	Vienna	fair	20
									Lisbon	sun	24	Nicosia	fair	19	Warsaw	rain	14
									London	fair	16	Oslo	sun	7	Washington	cloudy	19
									Lux.bourg	fair	17	Paris	fair	21	Wellington	cloudy	17
									Lyon	sun	22	Perth	sun	27	Winnipeg	sun	-4
									Madeira	fair	20	Prague	cloudy	18	Zurich	fair	19



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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 4 1995

IN BRIEF

WellPoint merger creates US leader

Two California-based groups, WellPoint and Health Systems International, announced terms for a merger that will create the largest publicly-owned US managed healthcare organisation. Page 26

Kemper to spin off stockbroking arm
Kemper Corporation, the US financial services group which has spent the last year under threat of takeover, has agreed to spin off Kemper Securities, its stockbroking division. Page 26

Tanzania takes over Meridien management
The crisis at Meridien BIAO, an independently-owned bank with branches in 20 African countries, deepened as Tanzania's central bank announced it was taking over management of the bank's local operations. Page 27

Shearing Schering
Mr Giuseppe Vita, chairman of Schering, the Berlin-based pharmaceuticals company, has helped to restructure it by shedding a mixed bag of industrial chemicals, natural substances, and electroplating divisions. Page 26

Burmah Castrol trades up to £157m
Buoyant trading conditions in Asia and the US last year helped lift net profits at Burmah Castrol, the specialist oil and chemical producer, from £117m to £157m ($251m). Page 28

Highland Distillers disappoint
Highland Distilleries, maker of Famous Grouse Scotch whisky, reported lower than expected interim pre-tax profits after it lost momentum in home and export markets, reversing a long trend. Page 28

Strong US sales help Bemrose
A doubling of sales in the US allowed Bemrose Corporation, the UK promotional and security printer, to report a 47 per cent increase in pre-tax profits for 1994. Page 28

FT-SE A starts dividend cover statistics
Today the FT begins publication of statistics on net dividend cover for the FT-SE Actuaries UK share indices. Net cover is calculated by dividing net earnings by net dividends and measures the ability of constituents to meet dividend payments from earnings. As announced in February, these figures replace statistics on maximum earnings yield which the FT-SE A has ceased calculating. From today the FT also begins publication of price/earnings ratios for the new FT-SE A Fledgling indices. Page 40

New highs and lows
Highs and lows in statistical tables have been changed with effect from today's FT to reflect calendar year 1995 figures. The principal tables affected are the London Share Service, FT-SE A Share Indices, Rights Offers, London Recent Issues, New Highs and Lows and equity indices from overseas markets shown on the World Stock Markets pages.

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	955	+	23
Asko	545	+	10
Henkel	525.5	+	15.5
Schmalbach Lub	267.5	+	7.5
Volkswagen	358.5	+	10
Falls			
Lahmeyer	545	–	14
NEW YORK ($)			
Rises			
Cont Medical	11¼	+	3½
E-Systems	63⅞	+	18⅞
Falls			
Energynorth	17¾	–	4
Horizon Health	22⅞	–	4⅞
M'bishi Bank	22⅞	–	1⅞
Stratus Comp	27¾	–	3½
LONDON (Pence)			
Rises			
Chiltern Radio	228	+	25
Fitzwilton	53	+	5
Govett	285	+	28
Yorks Tyne-Ts	437	+	27
Falls			
Highland Dist	357	–	28
VHE Holdings	80	–	10
TORONTO (C$)			
Rises			
Dreco Energy	18⅝	+	1⅛
Dundee Bancp B	11½	+	1½
Intl Musto Expl	12¾	+	1⅛
Falls			
Canwest Expl	23½	–	1
Corp Foods	14¼	–	¼
Delrina	18⅝	–	1⅝
PARIS (FFr)			
Rises			
Credit Foncier	562	+	21
Credit National	392	+	19
Geophysique	289.7	+	10.7
Lagardere	116.7	+	4.4
Vallourec	225.5	+	20.5
Falls			
Fromageries Bel	4480	–	226
TOKYO (Yen)			
Falls			
Chichibu Onoda	453	–	46
Japan Airlines	577	–	58
M'bishi Warehse	1260	–	130
Niigata Eng	298	–	32
Nippon Suisan	377	–	41
Yasuda Tr & Bk	724	–	72
HONG KONG (HK$)			
Rises			
ASM Pacific	5.0	+	0.225
Winfoong Inv	0.425	+	0.05
Yeebo Intl	0.95	+	0.07
Falls			
Cathay Inv Fd	7.2	–	0.6
Hang Seng Bk	50.5	–	1.91
Swire Pac A	51.0	–	1.75
BANGKOK (Baht)			
Rises			
Thai Textile	35	+	3
Pattol	26.25	+	2.25
Union Pioneer	33	+	2
Falls			
Charan Ins	89.5	–	10.5
Post Publish	99	–	11
Wall Street Fn	86.5	–	9.5

New York and Toronto prices at 12:30.

Raytheon pays $2.3bn for defence supplier

By Tony Jackson in New York

Raytheon, the Massachusetts-based defence and industrial company, is to pay $2.3bn cash in an agreed deal for E-Systems, a Dallas-based defence supplier. The deal forms part of a consolidation of the US defence industry in response to spending cuts.

Raytheon said yesterday: "This will allow us to maintain ourselves as a top-tier defence company." Raytheon, best known as maker of the Patriot missile, had sales last year of $10bn, five times E-Systems' $2bn. Unlike other recent defence mergers, such as that of Lockheed and Martin Marietta, the deal is not expected to save costs through rationalisation. Raytheon said: "We don't anticipate lay-offs as a direct result of this merger. The customers and markets are different, and there is virtually no business overlap."

E-Systems' business is chiefly in reconnaissance and surveillance systems for defence and government customers, and in command and control and aircraft navigation. Raytheon's defence operations consist largely of missile and aircraft manufacture. "We make the aircraft, and they make the electronics that go into it," Raytheon said.

E-Systems has 16,000 employees and Raytheon 60,000. Raytheon has incurred heavy job losses and plant closures in recent years, but Mr Dennis Picard, chairman, said last year that in looking for possible acquisitions, he was "not interested in buying lay-offs".

The deal values E-Systems at $64 per share, against Friday's close of $45¾. The shares jumped yesterday to 63¾. Shares in Raytheon, which said the deal would provide a small increase in its earnings in the first year, fell $¾ to $72.

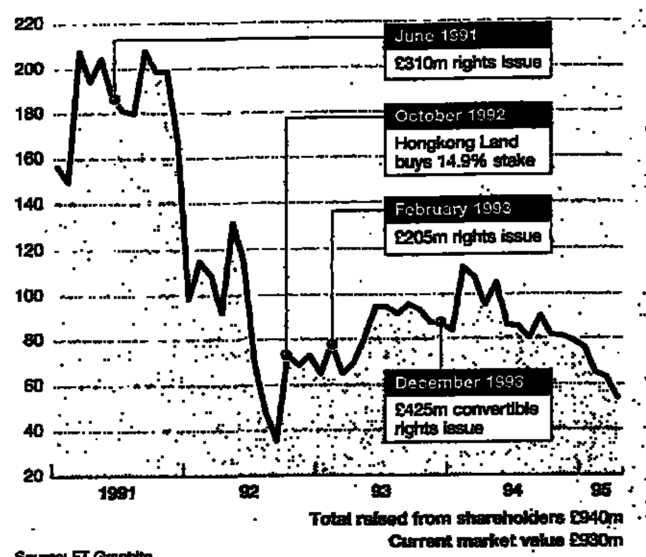
The deal will increase Raytheon's dependence on defence work, which as a result of defence cuts and efforts at diversification had fallen last year to about 35 per cent of total sales. Since E-Systems is almost wholly a defence company, the new total will be almost 50 per cent. Raytheon said its balance sheet after the deal would be strong enough to make further acquisitions. Net debt at the end of last year was $855m. It had shareholders' funds of $3.9bn. E-Systems is thought to have ended the year with net cash. The companies said Mr Lowell Lawson, E-Systems' chairman and chief executive, would retain his position after the merger and would join the Raytheon board. E-Systems will continue to operate under its old name and will remain based in Dallas.

E-Systems had net earnings last year of $96m or $2.79 per share, down 22 per cent after special charges. Raytheon's earnings were $597m.

David Wighton examines Trafalgar's takeover credentials

Trafalgar House: how firm a foundation?

Share price (pence)



Source: FT Graphite

Nigel Rich chief executive

Northern bid raises unwelcome interest in internal health

The pause in Trafalgar House's battle to take over Northern Electric – thanks to the intervention of the UK electricity regulator – has switched the spotlight back to the predator's own businesses.

It does not reveal a very encouraging picture, and underscores why Trafalgar needs to make a large acquisition, whether or not this is Northern.

"The more you look at Trafalgar the more you realise it needs a large, solid acquisition, if only to make use of its tax losses," says one analyst.

Trafalgar's trading has gone from bad to worse during the course of the bid for Northern, which it let lapse when the electricity regulator announced a new review of the industry's pricing arrangements. Northern has said it will not allow Trafalgar to launch a lower bid until the new regime is announced.

A month ago Trafalgar warned that, far from reporting a profit of up to £25m ($40m) as analysts were forecasting, it would actually record a loss in the six months to March. Even to battle-hardened Trafalgar House investors this was a bitter blow.

"It had been a long haul to drag Trafalgar into the black and to be suddenly told that it was back in losses came as a nasty shock," says one institutional investor.

Institutions were not the only ones to be disappointed. Hongkong Land, the offshoot of the Jardine Matheson empire that came to Trafalgar's rescue in 1993, has little to show for its investment. The 25 per cent holding for which Hongkong Land paid around £300m is now worth only £230m.

Mr Nigel Rich, the former Jardine Matheson managing director who was appointed chief executive of Trafalgar last August, says these disappointments make his job much more difficult.

"The company's credibility with analysts and institutions is very poor. A lot of people have poured money in and have had a very disappointing return so there is a lot of impatience out there." He argues that part of the problem was that the City had unrealistic expectations about how quickly Trafalgar House could be returned to health.

When Hongkong Land took its first stake at the end of 1992, Trafalgar was already in bad shape. The conglomerate built up by Sir Nigel Broackes over more than 30 years had a balance sheet that was being undermined by the falling commercial property market and the disastrous acquisition of Davy Corporation in 1991; while its core engineering and construction businesses, which had held up through the recession, were turning down.

In the three years to September 1993, Trafalgar recorded total after-tax losses of £532m and the £205m rights issue in February 1993 had to be followed by another £425m cash call at the end of the year.

Mr Rich contends that turning the group around was always going to be a long job. Moreover, when the new management came on board it became clear that the group's problems were worse than expected.

Mr Rich says that one of the most striking weaknesses was in terms of financial controls. "There were different accounting systems for all the different businesses and you can't take the right actions unless you've got the right information."

The new team started overhauling the management accounts at the beginning of last year, but it was only in January of this year that the new system became fully operational.

Another nasty surprise for the Hongkong Land team was the state of the Cunard cruise fleet. "The ships were suffering from serious under-investment and earnings were on a declining trend," says Mr Rich.

The new management decided to refit its flagship, the QE2, with disastrous consequences, at least in the short-term, when the ship set sail with passengers before the work was completed.

Even without the public relations disaster, Mr Rich admits that Cunard is underperforming its competition. Shipping profits in the year to September were flat at £7.8m, even after contributions from the newly acquired Royal Viking Sun.

The results contrast sharply with those of UK rival P&O, which has just reported a 17 per cent rise in cruise profits to £100.1m in 1994. "We hope we have arrested the decline but whether we have achieved it remains to be seen."

If Cunard is lagging behind its rivals Mr Rich insists the other businesses are now back up with the pack. He admits that margins at Ideal Homes, Trafalgar's UK housebuilder, were "awful" but thanks to the efforts of new management it is now "catching up".

In engineering, where orders for process plant appear to have bottomed, margins are below rivals such as Fluor and Mr Rich says there is still much to do to reduce the cost base.

All of which leaves a gloomy outlook for profits. Following last month's profits warning most analysts halved their estimates for the current year to below £50m and admit that longer term predictions are pure guesswork.

Mr Rich does not dispute that the motive behind the Northern bid was to gain predictable UK earnings to bolster a group composed largely of cyclical and poorly performing businesses.

If it is short of profits, it at least now has a strong balance sheet thanks to Hongkong Land. And few doubt that if it fails to win Northern it will quickly turn its attention to another target.

But Mr Rich has other things on his mind for the moment. "Takeovers can be very distracting things and I need to get back to the business." He has plenty to keep him occupied.

Volvo to sell food arms but retains interest in drinks

By Christopher Brown-Humes in Stockholm and Karen Fossli in Oslo

Volvo, the Swedish motor vehicle group, yesterday took its biggest step so far in a SKr40bn ($5.4bn) asset disposal programme when it announced deals worth SKr8.8bn with Orkla, the Norwegian consumer products and chemicals group.

Orkla is buying Volvo's remaining food operations, Procordia Food and Abba Seafood, for SKr4.25bn and will become the biggest food group in the Nordic region by combining them with its existing activities.

The companies are also merging their beverages businesses, Pripps and Ringnes, to create the region's largest beer and soft drinks company. Volvo will end up with a 55 per cent stake in this venture, valued at SKr4.55bn, but it plans to sell the holding before the end of next year through a stock market listing.

The moves are in line with Volvo's strategy to concentrate on its core vehicle businesses following the collapse of plans to merge with Renault of France in 1993. They also reflect the Norwegian group's desire to bolster its position in the Nordic region and will lift its annual sales from NKr20.8bn to NKr26bn.

Volvo's decision to opt for a Nordic solution suggests that price had not been its main concern. Anglo-Dutch giant Unilever, Conagra of the US, Nestlé of Switzerland, and Carlsberg, the Danish brewing concern, are understood to have been potential purchasers, either individually or as members of consortia.

There was also surprise that Volvo had not made a clean break with the beverages side.

Mr Sören Gyll, Volvo chief executive, insisted that the accords with Orkla were the best solution, both industrially and financially, for Volvo's shareholders. The food sale will produce a SKr2bn capital gain.

The agreement brings some of the Nordic region's best known food and drink brand names under the Orkla umbrella. They include Pripps beer, Ramlösa mineral water and Abba Seafood. Ringnes and Pripps are also the Nordic region's leading producers of Coca-Cola drinks.

The deal will be vetted by the European Union authorities, although Norway is not an EU member, backed by advice from national authorities.

Mr Egil Bakke, head of Norway's competition authority, yesterday said it was not healthy for competition in the Norwegian beverage industry for Ringnes-Pripps to control more than 80 per cent of the Norwegian beer market.

The drinks company will also hold 45 per cent of the Swedish beer market. In soft drinks, it will have a share of more than 60 per cent in both Sweden and Norway.

Lex, Page 22; Closer to the core, Page 24

Fund manager's U-turn to exit

By Norma Cohen in London

Govett & Co, the UK-based fund management company, yesterday announced it was in talks to sell its fund management businesses, after the collapse of an agreed bid to acquire Duff & Phelps, a US-based fund manager.

The mostly paper bid was abandoned when Govett's share price slumped after an investment trust which had been managed by Govett filed a lawsuit challenging the integrity of the company and of its chairman, Mr Arthur Trueger.

Yesterday's move is a stunning reversal of strategy. Govett in January announced the Duff & Phelps deal as part of its effort to concentrate on expanding its fund management businesses. In 1994, about 45 per cent of Govett's profits came from fund management. It also has a US-based insurance company, a trust management business and other investment activities.

"We were going to do the Duff & Phelps deal because we felt that critical mass is essential," Mr Trueger said. "If you can't jump to critical mass, people don't give you credit for being a fund manager." Acquiring Duff & Phelps would have roughly quadrupled Govett's assets under management to $50bn, but the lawsuit was likely to drag on for up to two years, effectively preventing Govett from any other acquisition or business combination, Mr Trueger said.

Selling the fund management units, John Govett and Co and Govett Asset Management, was the best way to realise value for them. Most of the proceeds would be distributed to shareholders.

Last week, the UK fund manager Jupiter Tyndall announced it had agreed to be acquired by Commerzbank at a price roughly 13 times 1994 earnings. Mr Trueger expects Govett's fund management businesses to fetch a similar price.

The two units have assets under management of roughly $5.1bn, and Mr Trueger said talks with at least two potential bidders were well under way. A deal was likely to be announced within 30 days.

Govett is being advised by Bear Stearns, which owns 3.7 per cent of its shares, and by Schroders. Its shares rose 26p to 285p.

UK group to make Kobe excavators

By Andrew Baxter in Munich

Fermec Holdings, the UK-based company best known for its MF Industrial-brand backhoe loaders, is to make mini-excavators under licence from Kobe Steel, the Japanese steel and construction equipment group.

The deal, unveiled at the Bauma construction equipment show in Munich yesterday, is the most important link-up between UK and Japanese construction equipment producers since 1991, when JC Bamford formed a joint venture with Sumitomo Construction Machinery.

Fermec's Manchester factory will become the exclusive source of mini-excavators to be sold under the MF marque or Kobe Steel's Kobelco brand in markets outside Japan, Korea, China and Taiwan.

Production of mini-excavators below four tonnes is due to start at Manchester early next year. Fermec will invest about $10m in the project, including robotic welding facilities and machining centres. Fermec is aiming to have 90 per cent of components sourced from within Europe.

Fermec, formed in late 1992 through a buy-out from Massey Ferguson, the US-owned tractors and combine harvesters producer, has been looking for new products to boost its revenues. Last year it started selling its new backhoe loaders in North America through a supply agreement with Kobelco America, which makes hydraulic excavators. Mr Richard Robson, managing director, said the deal would raise its sales by about a third in five years. In the year to September 30 1995, sales are expected to be about £95m ($152m).

Kobelco Construction Machinery (Europe), the Japanese company's Netherlands-based sales arm, has been hampered in its attempts to establish itself in the European mini-excavator market because of the strong yen.

Unlike many of its Japanese counterparts which make machines in Europe through joint ventures or subsidiaries, Kobe imports its mini-excavators from Japan. It is understood to have sold less than 100 in Europe last year.

Kobe estimates that world demand for mini-excavators will grow more than 10 per cent between 1994 and 1999. It is counting on Europe, the second largest market after Japan, for much of its growth in sales.

Additional reporting by David Traherne

Vereinsbank confident of improved result this year

By Andrew Fisher in Munich

Bayerische Vereinsbank is confident of improving on the profit it posted in 1994, when it fared better than most German competitors in a weak environment.

"Overall, we are looking for 1995 to be a thoroughly favourable year," said Mr Albrecht Schmidt, chairman. "We expect a good result." The first two months were mixed and below target, but own-account trading had produced a "clearly positive" result. No extra loan risks had emerged and interest rate business was slightly better. Commission business was down, however.

The bank has already announced an 8 per cent decline in group operating profits, to DM1.06bn ($774.5m), for 1994, with net interest income up 14 per cent. A strong performance on mortgage lending was offset by sharply lower own-account trading profits – down 98 per cent to DM7m as a result of weak bond markets – and higher staff and investment costs.

Mr Schmidt said total mortgage lending rose 12 per cent to DM167bn (66 per cent of total lending), but interest rate margins are much lower than on normal lending business. The share taken up by property loans – up 20 per cent to DM93bn – compared with loans to local authorities rose to 56 per cent from 42 per cent of the total.

He said most of the rise in property lending came from the private homes sector. In spite of the slowdown in new business, he said there were still opportunities in property. Vacancy rates on the commercial side are low and there is a shortage of homes.

In the private accommodation sector, loan approvals eased by 2 per cent to DM14bn; of this, 64 per cent was in low-risk financing of new private homes. Approvals on the commercial side were 14 per cent lower at DM8bn.

Explaining the 12 per cent rise in group spending, to DM3.5bn, Mr Schmidt blamed anniversary expenses – the bank was 125 years old in 1994 – further integration of subsidiaries and investment in new services, new branches in Germany and abroad and computer systems. Risk provisions were unchanged at DM949m, and net income eased by 3.4 per cent to DM565m.

German steel group returns to the black

By Michael Lindemann in Bonn

Krupp Hoesch, the merged steel and engineering group, yesterday put two years of heavy losses behind it to report a net profit for 1994 of DM40m ($29.2m), following a loss of DM590m the year before.

Mr Gerhard Cromme, chief executive, said the group had been helped by the worldwide economic recovery and extensive restructuring since its creation in late 1992. Group turnover rose to DM24.2bn from DM23.2bn in 1993.

Mr Cromme said he expected a "significant" profit this year, and hoped to further reduce the company's debts, which stand at DM4.6bn. Full results for last year will be presented on May 17, the company said.

Compared with the same period last year, sales in the first two months of this year rose 14 per cent to DM3.2bn, while new orders climbed 9 per cent to DM3.8bn, he said.

Having achieved the turnround, Mr Cromme said the group's priority was to move more production abroad, especially in the light of recent currency fluctuations which have driven up the D-Mark. "Increasingly, the group will be producing where its clients are," he said.

Steel and engineering were the only two of the group's six divisions to have reported losses last year, Mr Cromme said. There had been a "slight" loss on the engineering activities – where sales fell to DM2.6bn from DM2.95 in 1993 – because some companies within the division were still being dragged down by past restructuring costs.

Krupp Hoesch's steelmaking activities, the second biggest in Germany after Thyssen, were still restrained by debts to the state government for past help with redundancies.

About half of Krupp Hoesch's production is bound for foreign buyers, while only 25 per cent is produced abroad. Expanding production is likely to mean further investments in Brazil and Mexico.

Strong advance at Enel on increased sales to industry

By Andrew Hill in Milan

Enel, the Italian state electricity company, trebled net profit to L1,033bn ($608m) in 1994, which could be its last year as a wholly state-owned utility.

The group, one of the world's largest integrated electricity companies, was helped by a reduction in debt and financial charges and increased electricity sales, particularly to industrial clients.

In the calendar year 1993, Enel reported a net profit of L344bn.

The Italian government wants to sell off at least part of Enel this year, and is trying to push plans for a regulatory authority through the lower house of parliament following approval in the Senate.

However, deputies have raised objections to the draft legislation, which also provides for regulation of the telecoms and television sectors, increasing worries that the privatisation timetable may be delayed still further.

Two parliamentary committees will today reopen discussion of the legislation, which may have to be split into different proposals, one for each sector.

Enel said it was "ready to face up to the challenges and opportunities" presented by rising competition and internationalisation of the sector.

Last year, Enel increased its gross operating margin by 29 per cent to L13,684bn, and operating profit rose by 35 per cent, as the company reaped the benefit of reduced costs, an improving economy and a restructuring of tariffs.

That helped fuel a 3.5 per cent increase in electricity sales, after nearly static sales in 1993.

At the same time, Enel managed to reduce its heavy debt burden to L34,594bn, from L38,483bn at the end of 1993, cutting financial charges by some L1,500bn.

Although debt is high by the standards of north European electricity utilities, analysts pointed out yesterday that Enel's debt was in line with its counterparts in southern Europe.

The group said that for the first time internal financing of L8,788bn had surpassed investment in plant, which reached L7,876bn.

Investment had already been cut by 14 per cent in 1993, to L8,749bn.

The company said it had also cut costs by 3.6 per cent per kilowatt/hour sold. The number of employees in the group has fallen to 101,800, against nearly 106,000 at the end of 1993.

The privatisation will be one of the most difficult yet attempted by the Italian government, partly because of Enel's size and partly because its shares are unquoted.

Under the latest privatisation plans, Enel would be sold off as an integrated group – with production, transmission and distribution operations intact – although competition in production would be encouraged.

The company is responsible for 80 per cent of electricity production in Italy and has a dominant position in transmission and distribution.

Volvo shelves start to look bare

Sale of food businesses to Orkla provides Scandinavian solution

Volvo's plans to concentrate on its core vehicle operations took a big step forward yesterday when it announced the sale of its food businesses to Orkla of Norway and the formation of a joint beverage concern with the company.

The transaction gives Volvo an immediate SKr2bn ($271.4m) capital gain, to be booked this year, and the prospect of a further big gain when it eventually sells its stake in the drinks company, probably before the end of next year.

It also initiates the dismantling of Volvo's Branded Consumer Products division, which is expected to produce total proceeds of around SKr20bn.

Volvo has now sold businesses worth SKr12.45bn since unveiling plans last April to sell around SKr40bn of non-core assets. The disposals have yielded capital gains of more than SKr7.2bn. Each sale gives the group extra muscle in its attempt to forge a future as an independent car and truck maker, following the collapse of plans to merge with Renault of France in late 1993.

The disposal programme is being matched by aggressive investments in core businesses, including a SKr5bn programme to expand European car and truck operations, and the recent move to take full control of VME, the world's fourth-largest construction and earthmoving equipment maker, for $573m.

However, yesterday's deal is not quite as neat as Volvo would have liked. It leaves the Swedish group with 55 per cent of a beverages concern – to be formed by combining its Pripps unit with Orkla's Ringnes division – when it would have preferred to have sold out completely.

Analysts also questioned whether the group had fetched the best price for its food and drinks units by opting for a Nordic solution, given the strength of international interest in the sale. Nestlé of Switzerland, the Anglo-Dutch conglomerate Unilever, ConAgra of the US, and the Danish brewing concern Carlsberg were among those showing interest, either individually or as members of consortia.

Volvo was felt to have had an instinctive preference for a Nordic solution; it wanted to keep its food and drink operations under regional control, not least because this is what management of the individual units favoured.

However, executives insisted that Orkla had offered them the best all-round deal, taking into account both financial and industrial aspects. There were also considerable tax advantages in dealing with the same partner for both the food and drinks businesses.

Mr Sören Gyll, Volvo chief executive, said it was almost certain Volvo's 55 per cent stake in Ringnes-Pripps would be sold by the end of next year – in line with the group's target of disposing of all its non-core operations.

The next stage in the disposal programme will be the sale of Swedish Match, the other big unit within BCP. Analysts believe this division, a world leader in matches and

Sören Gyll: stake in joint venture will be sold

lighters, will fetch between SKr10bn and SKr12bn when it is sold, either to an industry buyer or a financial consortium. One source close to negotiations said yesterday: "Discussions are quite far advanced with a number of parties."

In Oslo, Orkla executives said the deal with Volvo would bolster its food and drink operations across the Nordic region, as well as in the Baltic states and in the St Petersburg region of Russia.

The acquisition of Procordia Food and Abba Seafood, together with its 45 per cent shareholding in the new beverage company, will boost group sales to more than NKr26bn from NKr20.8bn in 1994 and give the company 21,000 employees.

"Orkla's food and beverage operations will now definitely be developed as Nordic units. Orkla's food operations in Sweden will be as large as in Norway and also become substantially larger in Denmark," said Mr Jens P. Heyerdahl, Orkla's chief executive.

The group said the Volvo deals would produce purchasing, production and marketing synergies – although it declined to quantify them – as well as providing a platform for further expansion, inside and outside the Nordic region. Orkla plans to maintain the 45 per cent shareholding in the new beverage company. When Volvo sells its holding through a stock exchange listing, the Norwegian company will become the largest individual owner. However, there was some surprise that Orkla had not opted to take a majority stake in the drinks concern at the outset.

Orkla said the acquisition of the Swedish companies was partially loan-financed, but that it had raised an estimated NKr1bn ($163.1m) through recent asset disposals. It said its strong financial position would not be changed much.

Nora, Orkla's food business, will be combined with Procordia Foods and Abba Seafood to form a food products group with annual sales of slightly more than NKr10bn and 7,200 employees. Ringnes-Pripps will have annual sales of an estimated NKr7bn and 7,000 employees. On a pro-forma basis, the new company had sales in 1994 of NKr7bn and operating profit of NKr556m.

Christopher Brown-Humes and Karen Fossli

Pinault doubles earnings to FFr1.2bn

By Andrew Jack in Paris

Pinault Printemps Redoute, the French retail group, more than doubled profits last year, to FFr1.2bn ($250.2m), in spite of the variable pace of economic recovery in the country.

Turnover rose 12 per cent to FFr70.8bn, and the group said its diversity had allowed it to report operating profits up 16.7 per cent to FFr2.69bn, from FFr2.31bn the previous year.

The results included for the first time the effects of its purchase last year of a controlling shareholding in FNAC, the French books and records retail chain, after the sale of its two-thirds stake by Crédit Lyonnais, the loss-making state-owned bank, as part of its divestment programme.

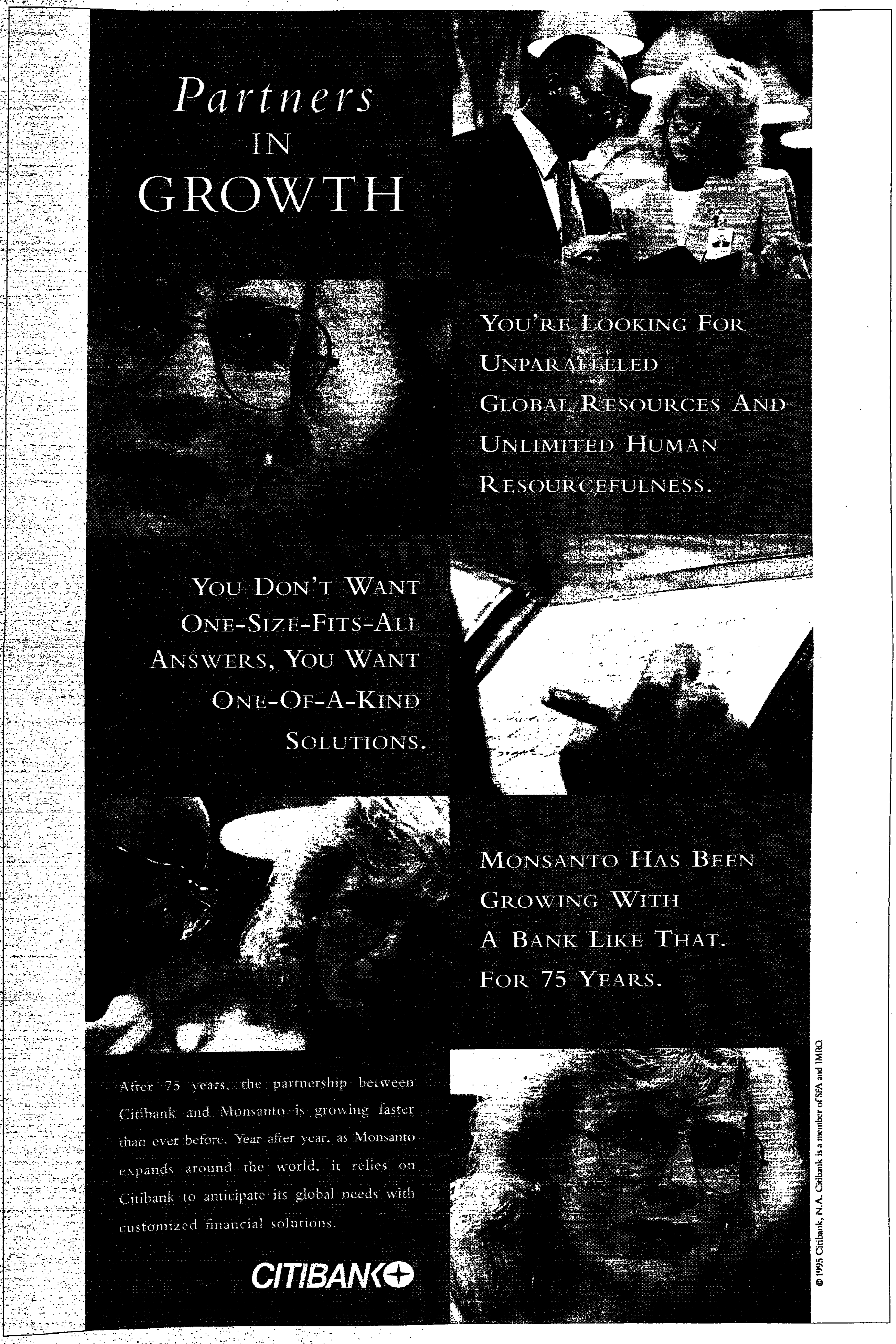
It said its Prisunic and Printemps shopping complexes, and La Redoute, France's largest mail order retailer, had stagnated. However, there was an increase in profits from FNAC and Conforama, its white goods distributor, in spite of "mediocre" consumer spending.

Its professional divisions performed well, with improvements from Rexel, the electrical equipment distributor, Pinault Distribution and Pinault Equipement, its building materials business.

It said CFAO, the international trading arm, reported an increase in operating profits, in spite of a 50 per cent currency devaluation in the African franc zone.

The group's slight reduction in borrowings, to FFr12.08bn from FFr12.09bn, and a fall in interest rates meant it was able to halve financial charges during the year, to FFr588m.

Pinault Printemps Redoute announced an exceptional charge of FFr266m, which it said was largely to prepare for costs designed to improve productivity.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INTERNATIONAL COMPANIES AND FINANCE

Kemper Corporation to spin off stockbroking arm

By Maggie Urry in New York

Kemper Corporation, the US financial services group which has spent the last year under threat of takeover, has agreed to spin off Kemper Securities, its stockbroking division.

Kemper Securities is the 10th largest broker in the US, with nearly 1,300 investment consultants.

However, Kemper Corporation refused to comment on speculation that it had rejected bids for its insurance division. It said it continued to seek ways to maximise shareholders' value.

The stock market was unimpressed by yesterday's deal, and the shares fell $1½ to $39⅞ in midday trading.

Last year's highest takeover bid was worth $67 a share.

The deal involves Kemper Securities' employees – including the economist Mr David Hale – buying a 55 per cent stake in the business through an employee stock option plan (Esop) for $72m.

Another 44 per cent of Kemper Securities shares will be distributed to Kemper Corporation shareholders as a "property dividend".

The remaining 1 per cent will be issued to Kemper Securities management in the form of non-voting shares.

The deal is expected to be completed within 90 days. Kemper Securities will change its name, dropping the word Kemper, and obtain a listing for its shares.

Kemper Corporation said the deal would cause an after-tax loss of $70m in 1995 and cut its shareholders' equity by $127m.

To make Kemper Securities more attractive, a $82m loan it owes to Kemper Corporation would in effect be cancelled, and it would sell some illiquid securities to its parent, although these were "not material", Kemper Corporation said.

The parent will also take responsibility for four lawsuits, although these are not expected to have a material effect on Kemper Corporation.

The Esop will borrow the cash to buy its 55 per cent stake from a syndicate of banks.

The four-year loan will be secured on the stock and guaranteed by Kemper Securities.

Mr David Mathis, chairman and chief executive of Kemper Corporation, said of the deal: "We believe it represents the most efficient and economically attractive way to realise value now from the brokerage segment."

The sale follows a turbulent year for the group. It received an offer last spring from GE Capital, the financial services arm of General Electric, but rejected that bid, later accepting a $1.3bn approach from Conseco, the insurance group. However, Conseco was eventually unable to finance the bid, which lapsed in November.

Placer Dome in takeover bid for International Musto

By Bernard Simon in Toronto

Placer Dome, the international mining group, has found its long sought-after acquisition target in Vancouver-based International Musto Explorations, whose main asset is a stake in the rich Bajo de la Alumbrera copper and gold deposit in Argentina.

Placer has offered to buy all Musto's outstanding shares at C$12.50 each, or a total of US$304m.

It said yesterday that one of Musto's biggest shareholders, with a 36 per cent stake, had agreed to tender his shares, on condition that a rival bidder does not top Placer's offer by more than 50 cents a share.

Musto's stock closed at C$10.88 on the Toronto stock exchange last Friday.

Musto owns 50 per cent of Bajo de la Alumbrera. The other shareholder is Australia's MIM Holdings, which has agreed to contribute US$120m towards the US$780m cost of developing the property.

MIM and Placer are partners in the Porgera gold mine in Papua New Guinea.

The Placer offer is subject to a minimum of 90 per cent of Musto's shares being tendered. The offer is expected to expire about April 28.

A recent feasibility study indicated that the Bajo de la Alumbrera deposit, which is located on the eastern slopes of the Andes, contains 11.9m oz of gold and 6.4bn lbs of copper. Subsequent drilling points to further reserves.

Placer currently estimates annual output at 500,000 oz ounces of gold and 373m lbs of copper over 16 years, with costs well below the world average. It said, however, that "a new mine plan currently being finalised by MIM and International Musto indicates production figures may increase".

● Placer Dome Canada, a division of Placer Dome, plans a takeover bid for the minority-held shares of **Equity Silver Mines**, which operates a silver, copper and gold mine in British Columbia, **Reuter reports from Vancouver.**

Placer Dome Canada, which owns 58.8 per cent of Equity Silver, said the offer of C$0.70 a share represented a premium of 46 per cent over the closing price of Equity Silver shares on March 31.

CAI warns of more cost cuts

By Robert Gibbens in Montreal

Canadian Airlines International has warned its unions they must accept a further C$125m (US$88m) of cost-cutting by June 30 if the company is to compete under the "open skies" regime.

Nearly 12,000 employees are already contributing to the survival of Canada's second-biggest carrier through payroll deductions. In return they get rights to buy stock in PWA, the parent company.

CAI is due to re-negotiate its collective agreements this spring. It has already set up a joint management-labour committee to recommend ways of improving its financial position.

The committee recently reported that annual operating cash flow must be increased by C$325m a year to handle route expansion, fleet additions and achieve a return to adequate profitability. This is equal to a 14 per cent reduction in costs per seat mile.

CAI is asking employees for significant gains in productivity and long-term changes to its union contracts. It is also shaking up management and has called in the Boston Consulting Group to advise on labour-management planning.

The company said agreement must be forthcoming by June 30 or the network will have to be restructured and the company reduced in size.

Analysts said CAI has many loss-making domestic routes. It needs increased cash flow to meet debt repayments due in the next two years.

The two biggest CAI unions have retained the US Airline Pilots Association to review the company's finances by the end of this month.

Mr Tony Johnston, CAI vice-president of employee development, said the options facing CAI were disclosed to all employees this weekend "to ensure everyone knows exactly what is at stake".

California healthcare deal creates US leader

By Richard Waters in New York

Two California-based groups, WellPoint and Health Systems International, yesterday *announced terms for a merger* that will create the largest publicly-owned US managed healthcare organisation.

The new group would have annual revenues of $6bn, compared with $3.7bn last year at United Healthcare, the next biggest. The merger is the latest and largest so far among such groups, which have flourished in recent years as Americans have sought ways to reduce healthcare costs.

With about $1.5bn of cash on its balance sheet and a low gearing ratio, the new group would also be well positioned to pursue other acquisitions across the country. Such growth is "the number one strategic priority", HSI said yesterday.

The new group would operate a network of health maintenance organisations which covers 2.2m people, slightly smaller than the 2.4m people covered by United Healthcare's HMOs.

These organisations provide low-cost health services to their members by restricting the range of hospitals, doctors and drugs to which they have access.

In addition, the two companies said they would have 2.9m people in looser, preferred provider organisations (known as PPOs) and similar plans. The deal is subject to shareholder support, and approval from anti-trust authorities.

Under the terms of the deal announced yesterday, WellPoint will pay out $12.31 a share in a special dividend ahead of the merger, amounting to $1.2bn out of its total cash hoard of $2bn. Shareholders of both companies *will* then be given stock in a new company.

HSI shareholders will receive 45 per cent of the new company's stock, comprising 26m voting shares and 24m non-voting "B" shares. All of the "B" shares will be issued to the California Wellness Foundation, the charitable organisation which is its largest shareholder.

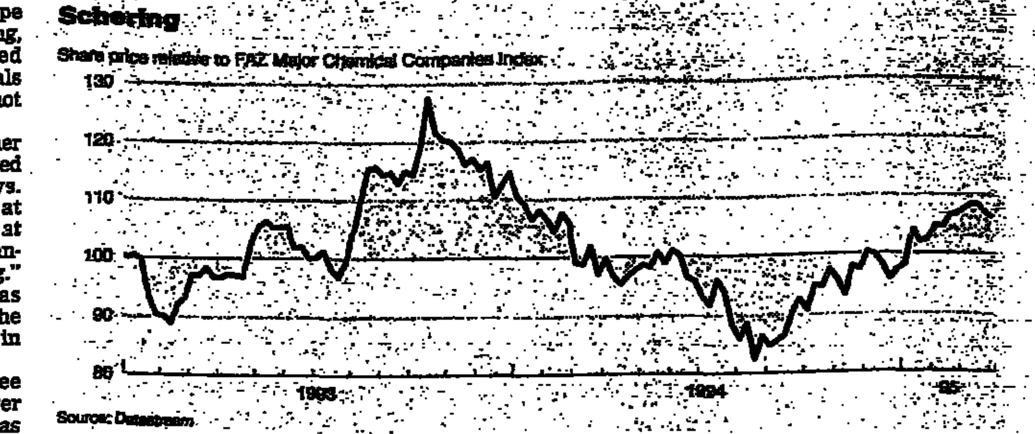
WellPoint's 80 per cent shareholder, Blue Cross of California, will receive 44 per cent of the shares. It will also receive $985m in the special cash distribution to be made by WellPoint.

The Blue Cross organisation and the Wellness Foundation said they would sign an agreement to co-ordinate their plans to reduce their stakes in the *new company over time.*

WellPoint's minority shareholders will receive the remaining 11 per cent of the new company's stock, together with the special cash dividend.

Schering emerges in strong shape

Radical shake-up has improved earnings prospects, writes Judy Dempsey



When Mr Giuseppe Vita joined Schering, the Berlin-based international pharmaceuticals company, in 1964, he did not intend to stay long.

"I wanted to join my brother in the US. And I really wanted to learn English," he says. "After studying radiology at *Rome and further research* at the university of Mainz, I managed to get a job at Schering." And there Mr Vita has remained, rising through the ranks to become chairman in 1989.

Throughout those three decades, and especially over the past six years, Mr Vita has helped restructure the group, turning Schering into a core pharmaceutical company.

It has shed its once ungainly structure of a mixed bag of industrial chemicals, natural substances, and electroplating divisions. These were sold off in the early 1990s.

Even the agrochemicals division has been hived off into a 40:60 joint venture with Hoechst, the German chemicals conglomerate.

"We are pretty pleased with the restructuring. It is 80 per *cent complete,"* says *Mr Vita, a* softly-spoken Italian.

The shake-up entailed a severe cost-cutting programme, begun nearly three years ago when other German companies were slow to rationalise. The workforce was cut by 24 per cent to 18,200 and more redundancies are on the way, particularly at Schering's administrative headquarters in Berlin.

Mr Vita believes the company can save a further DM200m ($146m) over the next year or so.

Schering has modernised and restructured its production plant at Bergkamen, in the heart of the old coal-mining region in western Germany.

In addition, says Mr Vita, Schering has used outside institutes and facilities to carry out research and development.

Analysts believe Schering's R&D expenditure over the next four years could total between DM800m and DM850m, with external research, including alliances with universities and companies, rising 30 per cent.

Finally, as the company concentrates on pharmaceuticals, it plans to shift to propriety products from licenced-in products (products developed by outsiders) for its contrast media/imaging division. The division takes in x-ray equipment, magnetic resonance imaging and ultrasound.

Mr Mark Tracey, a pharmaceuticals analyst at Goldman Sachs, expects Schering's licenced-in products for contrast media will fall to about 30 per cent from 60 per cent over the next few years.

"Schering is on course to lower costs. The plant at Bergkamen *should cut production* costs for contrast media [imaging/x-ray] by about a half," he says.

As it restructured, Schering had to make an important decision: whether to become a global force, marketing hundreds of products, or securing a *niche,* backed up by innovation and experience.

"Schering chose the latter course. It is now well positioned strategically," says Mr Francesco Gregori, an analyst at Paribas Capital Markets.

Mr Vita also sees the merit of that decision. "No one firm can be the major player in all segments of the market. We have a very strong niche in the products in which we have chosen to specialise," he said.

That niche comprises three categories. *First,* contrast media, which accounts for 40 per cent of Schering's sales which last year rose 12 per cent to DM4.7bn. Group net profits also increased 12 per cent to DM254m last year.

Schering is a global force in contrast media, with a 32 per cent share of a market worth DM5bn. Mr Vita believes the introduction later this year of Levovist, an ultrasound product, should further boost profits.

The second category comprises hormones and fertility control, accounting for 30 per cent of sales and in which Schering has a 21 per cent share of the world market.

The third is therapeutics, which include cardiovascular drugs and treatment for leukaemia, accounting for 24 per cent of sales.

Europe and Germany contribute 43 per cent of sales, with Japan and Asia rising by 2 per cent last year to 26 per cent.

Mr Vita believes Asia, especially China, and Latin America will continue to expand.

But at the moment, all eyes are fixed on the US market, where sales were up 64 per cent last year to 17 per cent of the group's turnover. Mr Vita remains calm, in spite of market turbulence.

"We can weather the storm, even though the D-Mark is so strong against the US dollar," he said last month when presenting the group's 1994 results.

Mr Vita expects Schering will have to revise downwards this year's forecast rise in total turnover to about 6 per cent from 9 per cent. However, analysts believe it may be dampening expectations, partly to complete the socially sensitive restructuring programme.

The extraordinary rise in sales on the US market is largely due to one drug which makes up the fourth, and new category for Schering: Betaseron, the multiple sclerosis treatment which is available only in the US but which should be approved by European health authorities later this year.

Betaseron, which came on the market in late 1993, had sales last year of DM323m and Mr Vita is confident they will reach at least DM500m this year.

"Betaseron is very important for us. But remember, Betaseron only accounts for 10 per cent of our total turnover. We cannot depend on that drug alone," he cautions.

However, the markets have nonetheless tended to watch every twist and turn of Betaseron's programme, perhaps eclipsing the fact that Schering's 12 per cent rise in profits last year may mask its true profitability.

There were several exceptional items. For example, subsidies to companies based in Berlin were scrapped in line with government policy in 1993.

In addition, Schering last year made a pre-tax payment of DM64m to convert its books to international accounting standards in an effort to make the company more transparent to its shareholders.

Mr Tracey of Goldman Sachs points out that "now the one-off in-and-out payments have been made, we have a very clear picture of Schering's profitability which indicates that growth could remain very strong," said

Mr Vita himself expects that from this year until 2000, profits after tax will rise by 10 per cent, which would confirm that the restructuring, and his decision to stay in Europe, had paid off.

Ingersoll-Rand in Clark tender

By Richard Waters

Ingersoll-Rand yesterday followed through on a promise made last week to launch a hostile bid for Clark Equipment, a rival US machinery maker, with an all-cash offer *worth $1.3bn.*

The tender offer came as Clark failed to respond to Ingersoll-Rand's request for discussions over an agreed merger.

Ingersoll-Rand also said it was proposing a list of seven nominees to stand as directors of Clark at the company's annual general meeting on May 9. If they won enough support from Clark's shareholders, the new directors would tilt the balance of power on the company's board in favour of Ingersoll-Rand.

This so-called proxy battle is the latest sign of the re-emer*gence of a tactic often* used during the 1980s by acquisitive companies to force their targets into submission.

Mr James Perrella, chairman and chief executive of Ingersoll-Rand, said the action had been taken after "repeated efforts" to arrange a meeting to discuss his company's proposals had been rebuffed.

In a letter to his counterpart at Clark, Mr Leo McKernan, Mr Perrella said the company would have preferred an agreed merger, and continued to be interested in a friendly deal.

The tender offer will expire *on April 28, unless extended,* Ingersoll-Rand said.

Clark's shares continued to hover above the offer price as the stock market anticipated a higher bid in the coming weeks.

The shares rose $¼ yesterday morning, to $82¾. Ingersoll-Rand's shares climbed $⅝ to $33¼.

Bramalea set to be broken up

By Robert Gibbens in Montreal

Bramalea, the Canadian residential and commercial property developer which has been in court protection from its creditors since 1992, faces being broken up over the next two months as a result of a court decision.

Up to 100 office buildings, shopping centres and development sites will be sold on behalf of Bramalea's creditors. The company is likely to retain only a few shopping centres whose current market value exceeds mortgage debt.

An orderly sale of Bramalea assets "is preferable to the chaos that would ensue from a sudden collapse", said Mr Justice Lloyd Houlden. The company's assets total more than C$5bn (US$7bn), including a large North American land bank.

A plan to obtain a C$300m equity infusion from a group of international investors, led by US financier Mr Steve Green, collapsed in March.

On Thursday, Bramalea won a court order requiring all its lenders to put up C$8m cash so it could keep its doors open and proceed with the property sales. *The banks supported* Bramalea's programme, but mortgage holders objected.

Bramalea, a casualty of the 1991 property market collapse, is burdened with C$3.5bn debt.

Under the plan, about 100 properties will be released from court protection for sale. Bramalea will retain only 12.

An Ontario pension fund is likely to buy Bramalea's 50 per cent interest in several big Canadian shopping centres. Last June, the fund spent C$300m in buying the other 50 per cent, plus two other shopping centres, from Trizec, another troubled Canadian property group which was res*cued by Mr Peter Munk, the* Toronto financier who controls Barrick Gold and Horsham.

Rules on disclosure tightened by IASC

By Jim Kelly, *Accountancy Correspondent*

The International Accounting Standards Committee has agreed a new code for the reporting of financial instruments – including the disclosure of derivatives.

The IASC confirmed that the new standard, IAS 32, was both tougher on disclosure than a draft published last year and ahead of both UK and US accepted practice.

Ms Liesel Knorr, IASC acting secretary-general, said: "Both investors and lenders need to have a much better idea of whether risky derivatives are being used. The disclosures we are now asking for will make it much easier to assess the risks companies run when they use financial instruments, such as derivatives."

She admitted that while the collapse of Barings, the UK merchant bank, had not affected the wording of the standard, it had possibly produced rapid agreement on action.

The IASC voted unanimously at its meeting in Düsseldorf before the weekend to approve the new standard. A separate standard will follow on the measurement of financial instruments.

The committee said the new standard had put more emphasis on the importance of explaining the nature and extent of the use of financial instruments and the risks undertaken than had been envisaged in the draft.

The new provisions cover financial instruments ranging from debt to derivatives, including interest rate risk, credit and fair value. They include a requirement to disclose information about financial assets carried at an amount exceeding fair value.

Mr Bruce Picking, technical director of the Institute of Chartered Accountants in England and Wales and technical adviser to the UK delegation to IASC, said international standards were becoming increasingly relevant to a number of countries.

For companies wishing to follow IASC standards, the new rules apply for accounting periods after January 1 1996.

Sharp setback for Swiss travel group in year

Reisebüro Kuoni, Europe's third-biggest travel group, yesterday reported sharply lower 1994 net profit of SFr18.1m ($11.7m), blaming a one-time reserve for potential tax charges in the UK, **Reuter reports from Zurich.**

Kuoni said group profit fell from SFr44.7m in 1993, while parent profit rose to SFr35.5m last year from SFr11.5m.

The group, which adopted a new capital structure in an effort to boost liquidity and investor interest, predicted a better year as a result of growing world tourism.

Mr Riccardo Gullotti, chief executive, said claims to tax charges on business done by Kuoni's UK subsidiary in the late 1970s slashed the profit figures.

Axa in FFr2.3bn issue of convertible bonds

By Andrew Jack in Paris

Axa, one of France's biggest insurers, yesterday announced a FFr2.3bn ($480m) issue of convertible bonds which it said was designed to support its acquisitions and reinforce its capital base.

The search for new capital comes at a time when the group has been actively seeking to buy rival insurers in Europe, the Americas and Asia, as part of a broad strategy of *making itself into* a more international business.

The new bond issue, for which priority subscriptions will open today, comes after the group published annual results showing net income up 11 per cent at FFr2.27bn.

Axa said the bonds – which are priced at FFr270 each – may be converted to equity at any time after April 19, the day after they begin to trade. Each bond is convertible into a single share, and carries an annual coupon of 4.5 per cent of the issue price.

Existing shareholders will have first rights to subscribe to the new issue, and are able to apply ahead of others until April 10. They will be allowed to buy one bond for every 15 shares already held. Other sub*scribers can apply until* the bonds begin to trade.

In January, Axa bought a controlling stake in National Mutual of Australia for A$1.1bn. It has also recently bought Wing On Life in Hong Kong and Singapore.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Seagram keeps market guessing on Du Pont stake

Seagram, the North American drinks company, and the US chemicals group Du Pont both refused comment yesterday on a press report that Du Pont might be about to buy back the 25 per cent of its stock owned by Seagram, writes Tony Jackson in New York.

According to The New York Times, the deal, which would cost Du Pont around $10bn, would clear the way for Seagram to bid for MCA, the Hollywood studio.

Matsushita, MCA's Japanese parent, is known to be contemplating the sale of all or part of the company. Last year Mr Steven Spielberg, the film director, and Mr David Geffen, the record mogul, left MCA to form their own entertainment company with Mr Jeffrey Katzenberg, the former Disney studio chief.

Seagram, which also owns 15 per cent of the US media and film group Time Warner, has been rumoured as one of a number of possible buyers.

Seagram bought the Du Pont stake in 1981 for $3.28bn.

Mannesmann turnover shows strong rise

Mannesmann, the German engineering and telecommunications group, yesterday said turnover in the first two months of this year rose 14 per cent over the same period a year earlier, writes Michael Lindemann in Bonn.

The company declined to give precise figures but said that new orders rose 24 per cent over the same period.

During a press conference at the Hanover trade fair, the company also said it now had 980,000 clients for its D2 mobile phone network, up from 850,000 at the end of last year. Deutsche Telekom, its main competitor, had 927,000 clients by then.

Mr Joachim Funk, chief executive, said that the recent currency fluctuations had led to "irritations" and warned that there were likely to be further job losses if the D-Mark remained at its present high level.

However, he said he was optimistic about the prospects in 1995 for the engineering industry, saying that business was likely to remain brisk as investment rose across Europe for the first time since 1990.

Mobil returns to Venezuela

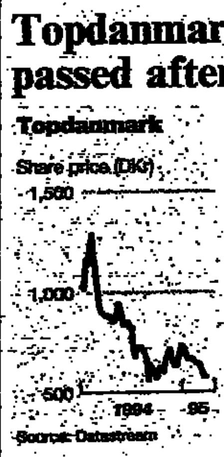
Mobil, the US energy group, has returned to Venezuela as an investor after an absence of 20 years, purchasing a 50 per cent stake in Venezuela's largest privately held lubricants company, Nacional de Grasas Lubricantes, writes Joseph Mann in Caracas. No price was announced.

Mobil owned extensive oil production and refining operations in Venezuela until 1976 when the Venezuelan government nationalised the oil industry. Today Mobil is still an important international buyer of crude oil sold by Venezuela's national oil company, PDVSA, which last year developed a programme to open its exploration and production sectors to private capital.

The lubricants company where Mobil is now a partner is part of the Venoco group of companies, which is controlled by the family of Mr Julio Sosa, until recently Venezuela's finance minister. Mr Sosa founded Venoco, which works in the lubricants and petrochemical sectors, in 1960.

Mobil is one of dozens of international oil companies planning to bid on exploration risk contracts for crude oil and natural gas scheduled to be let later this year by PDVSA.

Topdanmark dividend passed after loss



Topdanmark, the Danish insurance group, reported a DKr427m ($78.7m) loss for 1994, its worst result ever, compared with a profit of DKr107m in 1993, writes Hilary Barnes in Copenhagen. No dividend will be paid after what the board described as one of the most turbulent years in the company's history, when its ability to survive as an independent company was brought into doubt.

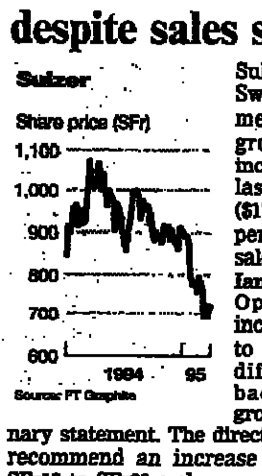
However, the group is completing a financial restructuring plan, launched at the end of last year, with a rights issue this month. This is expected to raise DKr372m.

Last year's losses arose partly as a result of a fall in the value of the securities portfolio, but the key item was a loss of DKr379m by the finance division, which has been at the heart of Topdanmark's problems for the past three years. The group sold off its main domestic banking operation, Aktivbank, last year, but carried losses for the first four months of the year. Topdanmark's two foreign banks, Aktivbank, of Stuttgart, and National Bank of Long Beach, California, continued to make substantial losses.

The group said yesterday that it had completed the sale of the California bank another bank in the state, Metrobank. Aktivbank is also being disposed of.

The insurance operations made progress last year, improving operating profits to DKr206m from DKr74m.

Sulzer lifts income despite sales slide



Sulzer Technology, the Swiss engineering and medical equipment group, said its net income rose 5 per cent last year to SFr195m ($173m) in spite of a 9 per cent slide in net sales to SFr6bn, writes Ian Rodger in Zurich. Operating income increased 7.8 per cent to SFr289m "against a difficult economic background", the group said in a preliminary statement. The directors said they would recommend an increase in dividends from SFr18 to SFr20 a share.

Sulzer said the figures were distorted by the sharp rise of the Swiss franc against other leading currencies last year. In local currencies and excluding the impact of acquisitions, sales were down only 4 per cent.

Sulzer has been moving more of its manufacturing activity out of Switzerland in recent years, and now claims nearly half of its value is created outside of its home country.

BHP plans A$645m capital spending

Broken Hill Proprietary, the Australian resources group, yesterday announced the approval of three projects for its steel division, involving total capital expenditure of A$645m (US$473m), writes Nikki Tait in Sydney.

The first is a A$280m cold-rolling, metallic coating and paint facility, which will be built on the west coast of the US, and will supply building and construction markets in the Pacific north-west.

BHP Steel also plans a A$265m cold-rolling, metallic coating and painting facility in Thailand, which –like the US plant – will go into construction in the second half of 1995, and be progressively commissioned over the following two years. A further A$100m is to be spent upgrading the steel rolling mill at Western Port in Victoria.

Norwegian drillers plan to merge

Transocean and Wilrig, two Norwegian offshore oil and gas drilling contractors, said yesterday they would recommend a merger to create one of the world's largest drilling companies, writes Karen Fossli in Oslo.

Under the deal, Transocean will take over Wilrig, whose shareholders will trade four of their own shares for three Transocean shares. Full details of the proposed deal will be unveiled before June 1, but the merger, if approved, will be retroactive from January 1.

The new company, to be called Transocean, will have annual turnover estimated at NKr3bn and be ranked among the world's top three drilling contractors alongside US-based Readings & Bates and Sonat Offshore Drilling.

Mr Kristian Siem, chairman of Wilrig, has been proposed as chairman of the new company while Mr Ole Lund, chairman of Transocean, would become deputy chairman.

Metallgesellschaft row in US flares up again

The wrangle in the US between Metallgesellschaft, the German metals and energy trading group, and Castle Energy, a former US affiliate, flared up again yesterday as the German group said it was taking legal action to recover $105m, writes Richard Waters in New York.

MG said the money was owed it by Castle under loans which matured at the end of last week, but that the money had not been repaid.

The dispute marks a re-emergence of a long battle between the two sides which appeared to have been settled last October. At that time, MG gave up various claims over Castle in return for Castle agreeing to yield its rights under long-term contracts to supply MG with oil products.

The settlement, not directly connected to the big losses on oil trading in the US which brought MG to the verge of collapse, involved the German group giving up claims worth about$500m.

At that time, MG agreed to continue financing Castle's two refinery operations, Powerine Oil and the Indian Refining limited partnership, until the end of March. MG said it had taken action in state court in New York against Indian Refining, and in Delaware against Castle, which guaranteed the loans.

ITT in $1bn loans sale

ITT has reached agreement to sell a $1bn portfolio of home equity loans, marking another step in the US conglomerate's retreat from financial services, writes Richard Waters. Transamerica, the San Francisco insurance group which agreed to buy the loans, will pay a $30m premium. The deal will release $200m of equity which had been tied up in the home equity business, ITT said.

Tanzania takes over Meridien management

By Joel Kibazo in London

The crisis at Meridien BIAO, an independently-owned bank with branches in 20 African countries, deepened yesterday as Tanzania's central bank announced it was taking over management of the bank's local operations.

The Bank of Tanzania cited large foreign exchange exposure positions – estimated at around $30m – for its move and said it had taken the action to protect the interests of depositors.

The Tanzanian authorities said they had replaced Meridien's board and management with a team from the central bank.

Mr Abdul Rashid, governor of the central bank said: "There is no way the Tanzanian operation can be allowed to operate in its present form without jeopardising interests of depositors and the public." He said problems at the bank in Tanzania had also been brought about by "a poor lending policy which lacked proper scrutiny, and rapid expansion."

The new team has been asked to recover debts owed to the bank and seek repatriation of hard currency held overseas by Meridien BIAO.

Tanzania's move is another blow to the ambitious group, headquartered in Zambia. Last week, the Zambian central bank took over Meridien BIAO Bank Zambia, split it from the rest of the Meridien BIAO group and appointed a new management team. The authorities had already poured in K47.8bn ($59.4m) since the start of the year to help with liquidity before taking it over.

Kenya shut down the bank last month and authorities in Swaziland have also taken over local operations pending a sale. First National Bank in South Africa last week confirmed it had been approached by Swaziland's central bank about acquiring Meridien BIAO's operations in that country.

An announcement on the outcome of those talks is expected within the next few days.

Other African governments were said to be watching the situation closely.

Peregrine Investments dips 24% and cuts payout

By Simon Holberton in Hong Kong

Peregrine Investments Holdings, the Hong Kong merchant bank, came down to earth yesterday when it cut its dividend and announced a 23.9 per cent fall in net profit to HK$650.7m (US$84m) from HK$855.6m for the year to the end of December.

Directors declared a final dividend of 25 cents a share which, with the 25 cents paid at the interim stage, makes 50 cents for the year – a cut of 16.6 per cent.

Earnings per share were 50 per cent lower at 60 cents a share.

The company said that this year was likely to be even more "challenging" than 1994. The second half of last year, and the final quarter in particular, had witnessed an "increasingly difficult operating environment" for the group, with rising interest rates leading to depressed stock markets and poor fund-raising conditions.

The company said: "It is difficult to be optimistic about 1995." But, it added, US interest rates appear close to their peak and Asian economies remain strong.

"Overall, 1995 is expected to be a difficult year but one that will hopefully set the scene for improvement in 1996," the bank said.

Peregrine said that lower stock market and corporate finance activity was the main reason behind the 1994 results. In particular, the stock market decline led to a sharp fall in trading profits, to HK$27m from HK$182m in 1993.

Set against the poor performance in corporate finance and stock markets were derivatives, where profits were up 95 per cent, and direct investment, which showed a gain of 45 per cent during the year.

During last year Peregrine was involved in HK$33.1bn of capital raisings for Hong Kong and China, of which it played a senior role in HK$24.8bn.

ICI New Zealand in acquisition

Burns Philp, the Australian company which has been shedding non-core assets to concentrate on its food ingredients business, has sold its New Zealand-based Chemical Cleaning unit to ICI New Zealand, part of the UK-based chemicals group, writes Nikki Tait.

No price was disclosed, but Burns said the unit's sales were about NZ$50m (US$32.7m) a year. Chemical Cleaning imports, blends and distributes chemicals used in the dairy and paper sectors.

Terms outlined for Tokyo-Mitsubishi merger

By Emiko Terazono in Tokyo

The Bank of Tokyo and Mitsubishi Bank, the two Japanese banks which last week announced their plan to merge, yesterday outlined the basic terms of the alliance.

The merger will create the world's biggest bank, to be called the Bank of Tokyo-Mitsubishi. Mr Tasuku Takagaki, currently president of the Bank of Tokyo, said the two companies had agreed a merger deadline of April 1 1996, although it could be brought forward to October. A date would be decided by June, he said.

The merger ratio has been set at one Bank of Tokyo share being equal to 0.8 of a Mitsubishi Bank share. Mitsubishi plans a 0.05 to one gratis share issue for its shareholders ahead of the merger.

Mr Takagaki will become president of the new bank and *Mr Tsuneo Wakai, the current* Mitsubishi president, is to be chairman.

Mr Kazuo Ibuki, Mitsubishi chairman, is scheduled to become adviser, but the banks have not decided on the status of Mr Toyoo Gyoten, Bank of Tokyo chairman and former ministry of finance bureaucrat.

The new bank will use Mit*subishi's current head office* building in Marunouchi, central Tokyo, as its headquarters.

Burmah rises on strong demand in N America

By Robert Corzine

Trevor Humphries

Jonathan Fry: European trading remained difficult

Buoyant trading conditions in Asia and the US last year helped boost net profits at Burmah Castrol, the specialist oil and chemical producer, from £117m to £157m.($250m)

Exceptional items included a £50.6m profit from the sale of Castrol's Singapore site and a £26.6m loss from a property revaluation.

Earnings per share rose from 53.1p to 69.4p. The group announced a total dividend of 32.5p per share (27.5p) including a final of 10p and a 12.5p foreign income dividend.

Mr Lawrence Urquhart, chairman, said the group intended to "maintain our long-established progressive dividend policy."

Mr Jonathan Fry, the chief executive, said that turnover was up just 6 per cent to £2.93bn (£2.76bn).

Operating profits from lubricants, which account for the bulk of the group's business, were up 18 per cent worldwide to £181.2m, against £153.9m.

Demand was particularly strong in North America and Asia, where profits rose by 37 per cent and 33 per cent, but trading in Europe remained difficult, Mr Fry stated.

Operating profits at the chemicals division jumped by 34 per cent to £48.9m. Mr Fry said much of the improvement was attributable to cost reductions at Foseco, the subsidiary which supplies chemicals to the metallurgical industry. Foseco also benefited from higher demand and the introduction of new products.

Chemicals demand grew strongly in the fourth quarter, and executives predicted continuing strong growth this year.

Burmah Castrol's fuels business continued to suffer last year. Profits worldwide were down 19 per cent to £20.7m after a "disastrous first half", according to Mr Fry. The division was hit hard by the economic crisis in Turkey and difficult operating condition in the UK, where supermarkets continue to erode the market share of traditional service stations.

Mr Fry said the fuels business remained a "core activity." But it was not as central to Burmah Castrol's future as chemicals and lubricants, and the company would be willing to discuss its sale.

Strong cash flow allowed the company to cut its net gearing to 50 per cent compared within 72 per cent in 1993.

Morgan Crucible 10% higher as price rises hold

By Motoko Rich

Economic recovery in most of its markets and price rises which held, helped Morgan Crucible, the speciality materials manufacturer, lift pre-tax profits 10.5 per cent in the year to January 4.

Mr Bruce Farmer, managing director, said order books for the current year were showing their strongest start since 1988.

Margins rose from 10.2 per cent to 10.5 per cent, and were continuing to rise this year. "The benefits of price increases, new product development and restructuring are now showing through in improved margins. The year has started on a strong note", said Mr Farmer.

Group turnover rose slightly from £793m to £795m. ($1.27bn) Excluding the sales of Holt Lloyd, the car care business sold to management in August, turnover rose 7 per cent from £690m to £738m.

Operating profits increased from £81.2m to £83.7, a rise of 3 per cent.

North America and continental Europe showed the strongest growth, while the UK market was more subdued. The South American and Australasian markets were flat, and in South East Asia, sales grew strongly except in Japan, where demand was depressed.

The main area of weakness was in technical ceramics, where margins were squeezed because of a cutback in the defence and aerospace industries in the US.

Net cash inflow was £52.3m (£0.6m), the bulk of which reflected the sale of the Holt Lloyd business. Year-end gearing fell from 69.6 per cent to 36 per cent, on net borrowings of £103.8m.

Earnings per share rose from 20p to 22.1p. The final dividend is 7.15p, making a total for the year of 13.1p per share (12.6p).

On a forecast of pre-tax profits of £81m, the forward p/e is about 13.5, a slight premium to the market.

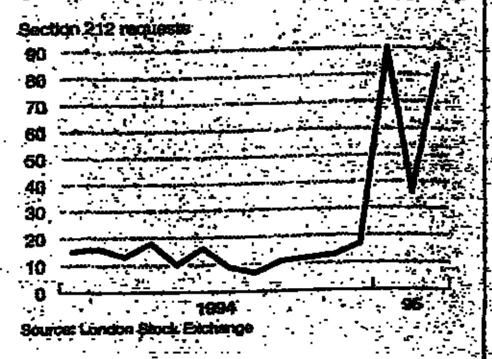
LEX COMMENT

Market-makers

The London Stock Exchange is struggling to overcome its reluctance to bite the hand that feeds it. The decision to review market-makers' exemption from disclosing any holding of more than 3 per cent in a quoted company was prompted by controversy over holdings in Northern Electric and Yorkshire Electricity by Swiss Bank Corporation's market-making arm. But the problem ultimately stems from dramatic changes in market practice since Big Bang. Market-making has become inseparable from dealing for one's own account. Yet one of the options in the Exchange's consultative document is to reinforce the distinction between traditional market-making and proprietary trading. This would be unenforceable, in practice.

Instead, facilitating market liquidity should be the criterion for exemption from disclosing stakes. Market privileges are not designed to help dealers make profits from large positions, whether or not these may then be hawked around to potential predators. SBC's 8 per cent stake in Yorkshire Electricity was several times larger than any other market-maker's holding, suggesting it was not driven purely by client-demand.

Forced disclosure of market-makers' holdings



Source: London Stock Exchange

All investors – including market-makers – should be forced to disclose positions of more than 3 per cent. But completely scrapping the current exemption is not even on the Exchange's list of options. Moreover, despite the recent controversy, one of the four options set out yesterday was "no change to present arrangements".

Cookson pays up to $150m for MPM Enterprises

By David Wighton

Cookson, the industrial materials group that has just raised £193m ($310m) from a rights issue, is to pay up to $150m for MPM Enterprises, a US electronic materials manufacturer.

The consideration consists of an initial $65m in cash, with a further payment of up to $85m depending on its financial performance over the next three years.

MPM makes screen printing equipment which is used in surface mounted printed circuit board assembly. Cookson's existing Alpha Metals and Electrovert operations make specialist materials and equipment which are also used in surface mount technology processing.

Mr Richard Oster, Cookson's chief executive, said: "By including MPM within out existing electronics materials operations, we progress towards being able to offer customers total process solutions using a combination of Cookson materials and equipment."

At the time of the rights issue, Cookson announced the acquisition of Tolaram, a US fibre manufacturer, for an initial £40m and said it was in advanced negotiation on two further acquisitions in electronic materials and ceramics.

Mr Oster said: "The acquisition further strengthens our position as a market leader in a fast growing segment of the worldwide electronics industry, and is a prime example of the target complementary acquisitions to which we referred at the time of the recent rights issue."

MPM made a pre-tax profit of $9.8m (£6.1m) on sales of $55.5m in the year to June, 1995. Net assets at that date were $12.5m.

Cookson's electronic materials division saw profits jump to £52.6m (£37.1m) last year boosted by previous acquisitions.

The rights issue, which closed last week, was taken up by 96.3 per cent of existing shareholders.

Famous Grouse fails to satisfy

By Roderick Oram, Consumer Industries Editor

Highland Distilleries, maker of Famous Grouse Scotch whisky, reported lower than expected pre-tax profits for the six months to February 28 after it lost momentum in home and export markets, reversing a long trend which had seen it outperform the sector.

Its shares fell 26p to 357p on news of profits of £23.7m ($38m), compared with £23.4m, and against a consensus forecast of £24.9m. Analysts downgraded forecasts amid doubts that Highland could quickly regain its momentum. . At the turn of the year the shares were trading at 440p.

"It looks like both sources of momentum are slowing after a very good run over the past three or four years," said one analyst.

Export volume growth dwindled to 5 per cent against about 15 per cent over recent years when Highland benefited from distribution through Remy Cointreau, the French drinks group.

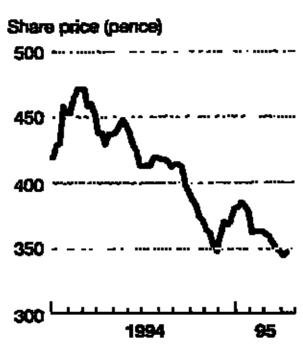
Mr Brian Ivory, chief executive, said exports were affected by a 10 per cent fall in duty free sales and some destocking in France. The group's underlying trend was still good and outperforming the industry's 3 per cent export growth.

UK shipments were up 6 per cent but competition remained stiff. Market share of Famous Grouse, second to Guinness's Bell's in the UK, has slipped from 13.8 per cent last August to 13.5 per cent. Highland stuck with its policy of premium pricing during the Christmas period and has since raised prices by about 3.5 per cent to cover costs.

Bemrose up 47% on US sales boost

By Geoff Dyer

Bemrose



Source: FT Graphite

A doubling of sales in the US allowed Bemrose Corporation, the promotional and security printer, to report a 47 per cent increase in 1994 pre-tax profits.

Helped by the first full-year contribution from McLeery Cumming, the second largest US publisher of advertising calendars which was acquired in 1993, group sales were 40 per cent higher at £125.7m ($200m), against £90m, and pre-tax profits rose from £10.8m to £15.8m.

As a result of a string of small acquisitions, the advertising and promotional products division, which produces diaries and calendars, now accounts for 70 per cent of sales, up from 45 per cent three years ago.

Operating profit in the US doubled to £9.67m (£4.65m) on sales of £67.7m (£35m). Mr Rodger Booth, chief executive, said that the market for promotional pens and pencils was the fastest growing sector. The group acquired Ritepoint/Chromatic, a Missouri-based pen manufacturer, in August for $5.5m.

UK operating profits were flat at £6.73m (£6.65m). Mr Booth said that operating margins for promotional products in the UK of 10 per cent were 4 to 5 per cent lower than in the US, but that in the next two years the UK would "catch up".

The security printing division recorded static sales of £38.2m (£38.3m), despite severe competition in the transport tickets market. New products, such as Russian lottery tickets, have allowed the group to diversify away from the declining bank cheque market.

Gearing was down at 41 per cent (46 per cent), despite £14.4m expenditure on acquisitions and investment.

Earnings per share increased 12 per cent to 32.45p (28.99p). A final dividend of 8.3p is recommended, making 13p (11.54p) for the year.

Fortune Oil doubles and moves into distribution

From turnover up from £41.7m to £56.9m ($91m) after-tax profits of Fortune Oil, the oil and gas exploration concern, doubled to £1.06m for the year ended December 31, compared with £503,000.

Mr Barry Cheung, chief executive, said that oil trading had been the company's primary business and although that would still be an important contributor, "our goal is for infrastructure investment and distribution to account for the bulk of our earnings within three or four years." Earnings per share were unchanged at 0.1p.

Drummond converts

Chargeurs is likely to increase its stake in the ordinary shares of Drummond Group, the textile company, from 8 per cent to more than 23 per cent in a share conversion.

The diversified French group, with interests including textiles and broadcasting, is to convert 1.65m of its 2.5m variable rate preference shares into 3.5m new ordinary shares at 47p. Other shareholders will be offered the shares on a 1-for-5 basis at the same price.

The redemption of Chargeurs' outstanding variable rate preference shares will be deferred and the conversion rights to all its convertible preference shares, which represent the total of that class, will be cancelled.

Anglo-Eastern

Anglo-Eastern Plantations more than doubled full year pre-tax profits, from £2.83m to £6.32m, ($10m) thanks to higher prices for its three commodities – palm oil, rubber and cocoa.

Turnover for 1994 was ahead at £12.9m (£8.01m). Earnings per share rose to 18.5p (7.4p) and a single final payment of 3p is proposed as a foreign income dividend, against last year's total of 1.65p.

Chloride forecast

Chloride, the electronics group, has eliminated a loss-making activity with the sale of Chloride El Paso, its power supplies business based at El Paso and Juarez on the US/Mexico border, to a US company for $1m cash.

The purchaser is International Music Corporation, one of Chloride's main customers.

Taking CEP's losses into account, Chloride warned that for the year to March 31 its pre-tax profits before exceptionals would be below market expectations at about £2.2m. Chloride will take an exceptional loss on the disposal of about £2.7m.

RMC Austrian buy

RMC Group has bought a 24.92 per cent interest in Kies-Union Vereinigte Kieswerke, Austria's leading aggregates producer. And K-U has bought 24.92 per cent of Lieferbeton, a wholly owned RMC subsidiary. The net result is a payment of £18.3m ($30m) by RMC and a £20.4m valuation of the stake in Lieferbeton.

Donnelley bids for ICD

RR Donnelley, the US printing group, has made an agreed £9.4m offer for International Communication & Data, the USM-traded marketing services and database group.

The offer, made via RR Donnelley Marketing Services, is 14.5p cash for each ICD share. The deal has been accepted in respect of 35 per cent of the ordinary shares. Continental Foods, which is headed by Mr David Cicurel, ICD's chairman, is accepting the offer for its 10.76 per cent stake and will receive £1m.

ICD also released its interim results, showing halved pre-tax profits of £95,000 (£191,000) for the six months to November 30. Turnover dropped from £2.91m to £2m and earnings per share came to 0.15p (0.34p).

Camas advances to £19m as construction sector recovers

By Andrew Taylor, Construction Correspondent

A recovery in UK construction output helped pre-tax profits of Camas, Britain's fifth largest aggregates group, rise by 75 per cent in 1994 from £11m to £19.2m.($31m)

US profits also rose, helped by acquisitions.

In the first full year figures since it demerged from English China Clays last June, Camas increased turnover by 23 per cent to £449.9m (£365.2m).

Volume sales of crushed rock, sand, gravel and coated roadstone rose by 9 per cent in the UK last year, excluding acquisitions, said Mr Alan Shearer, chief executive. Aggregates prices rose by 7 per cent, while margins on coated stone in the UK increased by 16 per cent.

European profits, of which the UK provides about 90 per cent, grew by 64 per cent to £16.2m (£9.86m).

The performance would have been even better but for £2.5m of exceptional costs associated with the group's decision to increase production of lower value paving stones at the expense of higher value products.

The company pulled back from this decision after margins suffered in its building materials division where it has made management changes.

Concrete block sales, helped by the rise in UK house building, rose by 11 per cent in 1994, while prices rose by 9 per cent.

US profits rose by 47 per cent to £11.8m (£8m) including a first time contribution of almost £4m from the former Kost businesses in North Dakota. Without this contribution, US profits would have dipped from £8m to £7.79m.

The shortfall was due to the delay in opening Denver's new airport, which has caused the postponement of private infrastructure projects, such as hotels, which were expected to go ahead when the airport opened, said Mr Shearer.

US markets were likely to remain flat. A fall of 15 per cent in US housebuilding was expected largely to be offset by rising private commercial and industrial construction.

UK profits by comparison were expected to increase further with price rises and margin improvements more than compensating for a forecast 2 per cent fall in volumes sales of aggregates and a 5 per cent drop in coated stone volumes.

New products help JCB to record

By Andrew Baxter in Munich

JC Bamford Excavators, the UK's biggest construction equipment manufacturer, *reported 1994 pre-tax profits* almost trebled from £26.6m to a record £72.9m. And it is expecting even higher results this year.

The figures, announced yesterday at Bauma, the Munich construction equipment fair, underline the rapid recovery from the recession made by debt-free, privately-owned JCB. Its profits reached a low of £8.3m in 1992.

Turnover surged from £398.4m to £564.1m, with ex-works shipments increasing from 11,508 machines to 18,025. *In unit terms the company is* now the world's fifth biggest construction equipment producer, said Sir Anthony Bamford, chairman.

Mr Tim Leadbeater, commercial and planning director, said JCB had recovered much more quickly from the recession than it did after the downturn in 1980 and 1981. This was partly due to the strength of *JCB's new product programme.* New machines introduced over the past five years contributed nearly £140m of turnover in 1994.

The surge in profits was mainly volume-based, and JCB was able to raise prices only slightly, said Sir Anthony. "The construction equipment business remains very competitive."

The Staffordshire-based company cut £25m from overheads during 1992 and 1993, and remains strongly cash generative, in spite of increased *working capital to reflect the higher* volumes. Its cash inflow, which surged from £8.1m in 1992 to £51.8m in 1993, was £39.6m last year.

Sir Anthony Bamford: market remains very competitive

To cope with the rising demand, JCB's worldwide group workforce rose from 2,363 to 3,019 at year-end, yet annual output per employee rose from five machines to nearly 6.5.

JCB, which celebrates its 50th birthday this year, has long relied on exports to boost sales, though last year sales rose slightly faster in the UK than overseas, advancing by 55 *per cent to £226.6m.* That reduced exports from 63 per cent of turnover to 60 per cent. Sir Anthony said exports should rise to a more normal 65-70 per cent of sales this year as UK turnover stabilised.

Overall, he said profits should rise a little this year. The US market, where sales rose 42 per cent last year, was still growing. Initial reports from continental European subsidiaries, which saw a sales rise of 38 per cent, indicated a further rise this year.

The sharp rise in profits has *triggered the first payments in* a tax-free profit-related pay scheme for all 2,700 UK employees, who received £700 at Christmas and are due for a further payment of about £200 at Easter.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglo-Eastern	Yr to Dec 31	12.9	(8.01)	6.32	(2.83)	18.5	(7.4)	3♣	June 21	1.15	3♣	1.65
Anglo Pacific	Yr to Dec 31	4.06	(3.38)	12.8L♠	(0.16L)	8.1L	(0.34L)	-	-	-	-	-
Automotive Precision	Yr to Dec 31	20.4	(16.9)	5.55	(1.91♠)	9.1	(3)	3	May 31	-	3	-
Barry Wehmiller	6 mths to Jan 31	42	(37.3)	3.02	(1.65)	4.4	(2.4)	3♣	June 2	2.4	-	6.7
Bemrose	Yr to Dec 31	126	(90)	15.8	(10.8)	32.45	(28.99)	8.3†	May 20	7.45	13	11.75
Burmah Castrol	Yr to Dec 31	2,934	(2,758)	243.5♥	(191.9♥)	57.3	(47.7)	22.5♦	July 14	11	32.5	27.5
Camas	Yr to Dec 31 □	450	(365)	19.2	(11)	4.34	(3.01)	2.5	June 13	-	3.75	-
Cap & Regional §	Yr to Dec 25	8.17■	(8.9■)	4.15	(1.17)	8.77	(2.89)	1.5†	-	1	2.1	1.5
Cassell	Yr to Dec 31	22.8	(20.1)	0.827♠	(0.597)	13.1	(16.5)	3	May 9	-	3	-
Caverdale	Yr to Dec 31	135	(50.5)	3.7♥	(1.51)	1.69	(1.02)	0.16†	July 1	0.15	0.26	0.15
Creston Land	6 mths to Dec 31	3.98	(2.84)	0.052L	(0.014)	0.07L	(0.08)	nil	-	nil	nil	nil
Delaney	Yr to Dec 31	18.2	(15.7)	0.741	(0.21)	0.6	(0.2)	0.24	Oct 20	nil	0.24	nil
Denistron Intl	Yr to Dec 31	39.7	(53.2)	1.08♠	(0.606)	3.9	(1.54)	1	June 17	1	1.5	1.5
Fortune Oil	Yr to Dec 31	56.9	(41.7)	1.11	(0.52)	0.1	(0.1)	-	-	-	-	-
Headlam	Yr to Dec 31	134	(107)	5.82	(3.65)	10.1	(7.9)	3†	July 3	2.35	4	3.2
Highland Dist	6 mths to Feb 28	106	(97.2)	23.7	(23.4)	12.8	(12.2)	1.9	June 5	1.76	-	7.26
London & Manchester	Yr to Dec 31	-	(-)	38.9♥	(39.4)	27.34	(20.49)	11.58	June 16	10.58	17.18	15.68
Morgan Crucible	Yr to Jan 4	795	(793)	72.6♥	(65.7)	22.1	(20)	7.15	July 6	6.85	13.1	12.6
Radamec	Yr to Dec 31	10.8	(11.9)	1.01	(0.71)	4.5	(3.6)	1.4	July 6	1.2	2.1	1.7
Reece	Yr to Dec 31	14.5	(13.2)	0.207	(0.304L)	0.16	(0.24L)	nil	-	nil	nil	nil
TransTec	Yr to Dec 31	185	(145)	12.4L♠	(11.2)	11.3L	(8.9)	0.7	July 3	2	2	3.3
United Industries	Yr to Dec 31	52.1	(19.2)	2.21	(1.5L)	1.05	(3.77L)	0.22	July 4	nil	0.32	-
Whitchurch	14 mths to Dec 31‡‡	45	(33.2)	0.97	(0.62)	5.13	(4.7)	1.05	-	-	1.6	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Schroder Split	Yr to Jan 31	-	(-)	4.23	(4.66)	7.47	(8.23)	2.1	‡	2.1375	7.5	7.2

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♣Foreign income dividend. ♦Includes 12.5p foreign income dividend. †On increased capital. □Comparatives pro forma. §USM stock. ■Rental income. ‡Already paid. ‡‡Comparatives for 12 months to Oct 31 1993.

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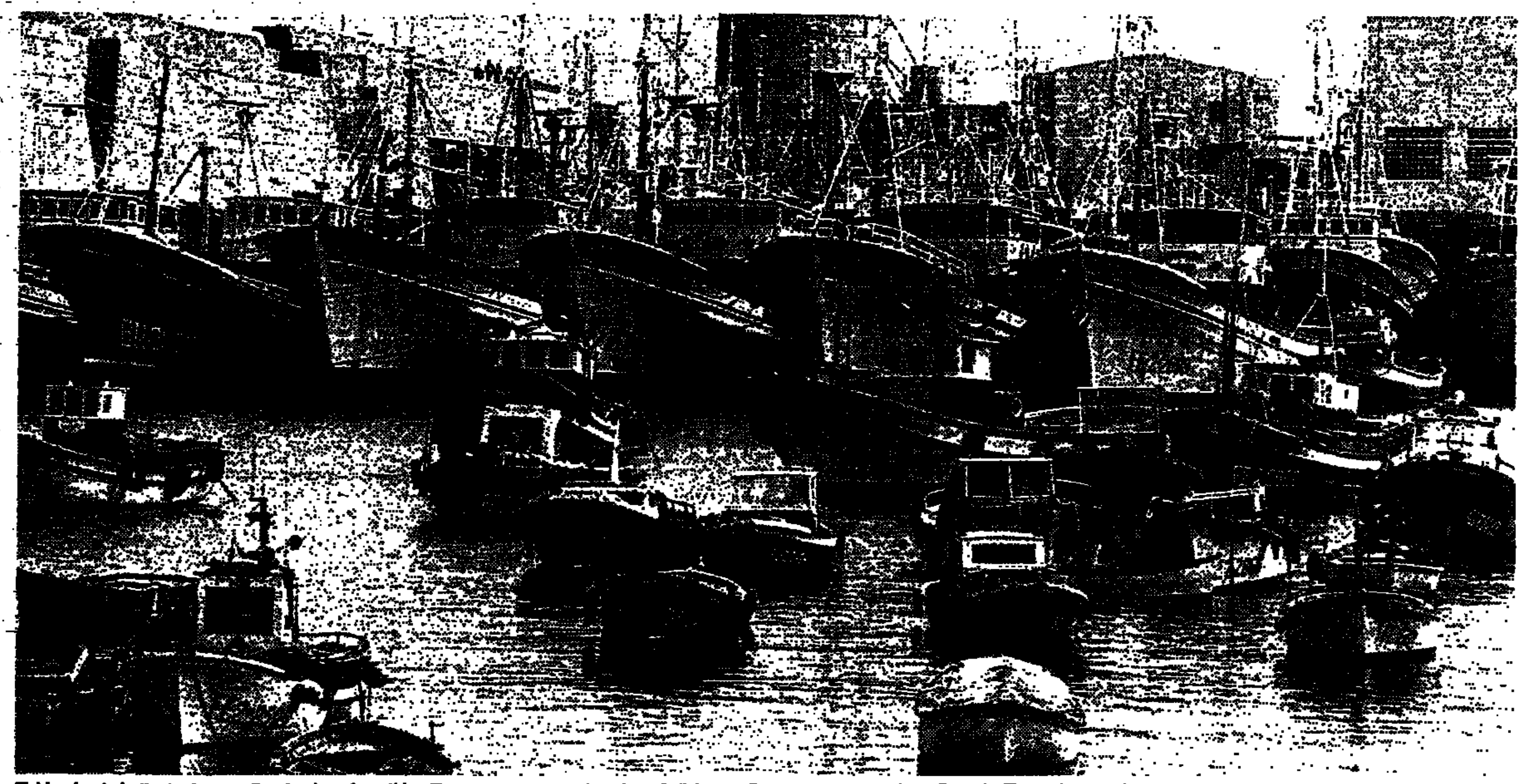
FINANCIAL TIMES SURVEY

Page II: uncertain economy; banks' deep roots; profile of Manuel Fraga Iribarne

GALICIA

Page III: cars, cans and fishing. Page IV: tourism; border trade; public works

Tuesday April 4 1995



Fishing boats in the harbour at Burela: there is nothing like a good fight to show how Galicians pull together in adversity   Financial Times photograph

Down to the sea in ships

Fishing is the staple industry of this remote Atlantic region of Spain. But the fleets are having a tough time and Galicia is developing other means of income, writes David White

It is not often that Galicia, the most isolated of Spain's mainland regions, finds itself at the centre of things. When it does come into the international spotlight, it is usually because of a fishing dispute.

Since this northwestern corner of Spain is the base for almost half the country's fishing fleet, the protagonists of recent strife, whether with the British over imminent Spanish access to fishing grounds or with the Canadians over trawler catches, have been Galicians. Their trawlermen are viewed with hostility by people such as the Newfoundlanders or the Cornish, with whom they have much in common. Equally, there is nothing like a good fight to prove how Galicians can pull together in adversity.

Galicia has more resources than fisheries, but the vicissitudes of the fishing industry reach deep into its economy and society. One in 25 jobs is at sea. A large part of industry depends on it, from canning to the construction of fishing boats, almost the last remnant of the shipbuilding sector which was once the region's industrial mainstay.

In what is still in many respects a retarded region, the bulk of the population has slowly but steadily spilled down from the smallholdings of the interior to the relative wealth and industrial ports of the western coastal strip.

With 2.7m people in a territory roughly the size of Belgium, Galicia is turned towards the coast, with its back to the rest of Spain. Poor connections with the centre of the country – in the process of being overcome – have left it virtually hidden away.

Galicia is distinctive, its people renowned for their reserve (a *gallegada* in Spanish is an evasive answer) and peasant superstition. Celtic roots are still evident in its music. With its wet Atlantic climate, it is an unspoilt land of granite mountains, lush valleys and jagged coastline, its glorious *rías* or estuaries providing livelihoods for mussel-growers (Galicia is the world's biggest producer) and smugglers alike.

In spite of EU funds, the apprehension which in northern Spain greeted the country's accession nine years ago has been largely vindicated. Galicia's experience stands out in contrast to that of Mediterranean regions. Membership has meant limits on its agricultural staples – milk, above all. At the same time, entry into the common fisheries policy (now set for next year) was delayed, accentuating the sector's overcapacity.

"The balance of the European Union has up to now been negative," asserts Mr Antonio Ramilo, the outspoken head of Galicia's employers' confederation, arguing that the region has not received equivalent benefits in improvements to its infrastructure. "Galicia will not resolve its basic problems until it neutralises its distance from the centre," he says.

Mr Manuel Fraga, the veteran politician who has been the region's president for the past five years, accepts that the EU has generated "mixed feelings". Benefits, he says, have been unequally distributed.

The presence of a political heavyweight such as Mr Fraga, formerly leader of Spain's conservative opposition, has unquestionably raised the region's profile both in Spain and in Europe. This is recognised by Mr Xerardo Estévez, the Socialist mayor of Santiago de Compostela, the regional capital, where part of the neoclassical town hall facing the cathedral is given over to the Galician government, known as the Xunta. He says Mr Fraga "has given prestige to the region without any doubt".

Mr Fraga believes there is a new, less passive mood in the region. "People did not think it was possible to change things here," he says.

Galicia was one of three "historical nationalities" recognised by the Spanish Republic in the 1930s, and was on its way to self-government when the Civil War intervened. Although General Franco was a Galician – the naval port of Ferrol, his birthplace, was rebaptised El Ferrol del Candillo during his dictatorship – he is regarded as having done little to favour the region.

In the post-Franco process of regional devolution it was given fast-track treatment, with its own president and parliament established in 1981. Mr Fraga's Popular Party now holds 43 of the 75 parliamentary seats, making Galicia the most secure conservative territory in the country, albeit with Socialist encampments.

Galicia is distinct from the Basque Country and Catalonia in not having a dominant regional nationalist party with backing from the business class. Nationalism grew here in the 19th century in parallel with the other two regions but was, and is, more limited in its support. Mr Fraga's Basque and Catalan counterparts see their territories as something more than regions. But Mr Fraga is happy with the word "regionalism". Galicia, he says, is not going for self-determination. But he is too canny a politician to set precise limits to its aspirations. "In politics and history there are no fixed ceilings," he says.

To the surprise of those who have watched Mr Fraga from his early career as a minister under the uncompromisingly centralist Franco, he has emerged as a champion of regional causes. He is actively campaigning for the EU principle of subsidiarity – leaving functions to the appropriate level of government – to be applied not just to member states but to regions, and seeking a formula which would enable regional governments to take cases to the European Court.

Mr Fraga is at the same time arguing for greater inter-regional solidarity in share-out of funds. He is pressing for reform of the financing arrangements whereby Spanish regions receive 15 per cent of the tax collected on their territory, advocating a more complex system capable of providing "a guarantee of minimum services for all".

Self-government has reinforced Galicia's sense of its own identity, notably through the reinstatement of the Galician language, a relative of Portuguese with Spanish traits and some oddities of its own. With it has come Galician-language television and a rash of publishing houses.

In common with other regional governments, Galicia's bureaucracy has had its problems – including the accumulation of a Pta287bn ($2.2bn) debt and a series of local affairs about jobs and contracts being dished out to friends and relatives. But under Mr Fraga crucial services – notably the telephones – have been brought up to date, new instruments created to assist business, and the ground laid for future growth in sectors such as the food industry, forestry and "quality" tourism.

However, Mr Fraga still sees Galicia as fighting a battle alongside other peripheral areas of Europe against a disequilibrium favouring more central regions. "There is a historical deficit that has to be repaired," he says.

Until recently, unemployment has been low compared with the rest of Spain – an apparent contradiction for a region which has been a source of heavy emigration in the last century, first to Latin America and later to northern Europe. Both phenomena reflect the archaic structure of rural Galicia, crowded with small, divided and inefficient farms. Almost 30 per cent of employment is still in the primary sector, a proportion seen practically nowhere else in Europe. In many cases this does not mean full-time jobs. Social security payments outweigh agricultural income in many communities. Old age and low skills are characteristic of the farming population. Not untypical is O Páramo, a municipality grouping 18 parishes in Lugo province, where the death rate is three times the birth rate. Many farmers still cultivate potatoes, maize, turnips, wheat or barley mainly for their own consumption.

The countryside is still recognisable from writer Gerald Brenan's description more than 50 years ago. "The country is dotted over with little farms each containing just enough land to support one family....Each family has its own cow, which does the ploughing and provides a little cheese and milk..."

Nor would Galicia's leaders today contest his conclusion: "Generally speaking, one may say that the remoteness of Galicia from the rest of Spain and from its social and political problems (a remoteness accentuated by an execrable railway system) has been its chief characteristic." But they are in a hurry to consign that reality to the past.

■ BANKING

Big savers with strong loyalties

They do strange things in Galicia, such as relishing lamprey pies, rounding up wild horses and believing in witches. Not surprisingly, the banking system is also a little odd.

Where else in Spain, for example, would parish priests in remote hamlets be hired by local banks to enrol customers?

The chief features of Galician banking are the high and very stable savings ratio coupled to extremely conservative habits that have allowed the banks to build up deposits at a very low cost. Clients have also tended to be extremely loyal, from generation to generation, to their particular bank, especially if it is endorsed by their local padre or by some other significant person in the community such as the local vet or land agent.

"Consumer loans make little headway here," says a bank executive in A Coruña. "People are fanatical about their libreta, and they don't care too much about what their saving account earns them."

The scramble for business that characterises Spanish banking makes little sense in Galicia and the main national banking groups that have for years waged a "deposit war" to attract customers keep a low profile in the region. The regional institutions have a far stronger impact on the local banking system than anywhere else in Spain.

Split evenly between the savings banks and the private banks, Galicia's financial sector is dominated by Caixa Galicia, the result of a string of mergers among small savings banks that began in the late 1970s, and by Banco Pastor which was founded in 1925, and has nearly 300 branches in the region. The Caixa ranks seventh nationally among the savings banks in terms of customer deposits and Pastor is the ninth largest private bank.

Finance in Galicia appears to an exclusive club locked in to local wealth. It receives enthusiastic attention from La Voz de Galicia, the newspaper group which, much like Pastor and the Caixa, spreads out from A Coruña to all Galicia with no fewer than 15 editions. La Voz's book publishing division has recently published an embarrassing panegyric on the Caixa's managing director Mr José Luis Mendéz written by the newspaper's economic news editor that describes the Caixa, the 15th biggest banking institution in Spain, as a "financial colossus".

The question is how much longer can this cosy world continue unaltered. The broad features of the banking system accurately reflect the region's isolation and its high emigration but Galicia is changing on both counts.

"Emigration has shaped Galician banking," says the chief executive of a local bank. "The people who left sent money home because they wanted their pueblo to know that they were making good. The bigger the institution, like the Caixa or Pastor, the more representative offices they have in Buenos Aires, Mexico, Paris and Madrid, wherever there are gallegos, to channel the remittances."

However, remittance money – some 40 per cent of the deposits of Caixa Ourense, based in the heart of rural Galicia, is believed to be based on the emigrant sector – is declining. Galicia's barriers with the outside world are coming down fast and bank customers, whatever their empathy with their local priest, will gain new levels of financial sophistication.

It is a sign of the times that a group of businessmen, including the Inditex clothing group which is the emblem of new money in Galicia, acquired Banco Gallego, a former subsidiary of Banco Central Hispano (BCH), two years ago to compete aggressively with the established institutions. Realising that Galicia is overbanked and that its dominance is threatened, Pastor is expanding outside the region, as is the Caixa which last year bought offices in Valencia.

Tom Burns

One of Spain's least developed regions, Galicia may be catching up slowly with the rest of the country and with average income levels in the European Union – or not, depending on how the figures are interpreted.

The regional government, the Xunta, flaunts statistics showing that Galicia's economy over the last five years, from 1990 to 1994 inclusive, outperformed both the Spanish and EU average with cumulative real growth of 5 per cent.

Galicia survived Spain's 1993 recession relatively well, being one of the few regions that showed positive growth for the year. On the other hand, its performance in the incipient recovery lagged behind with a 1.6 per cent increase in regional output last year, against 2 per cent for Spain as a whole.

Mr Alberto Meixide, an economics professor at the university of Santiago de Compostela, disputes whether Galicia is really overcoming its disparities. Taking figures for the last 10 years, including the country's expansionist phase in late 1980s after EU entry, he says there is no evidence that the region is gaining ground, even though it is one of the largest recipients of EU funds. If it has fared better in difficult times, he says, it has not matched other regions' growth rates in better times.

Economy advances in fits and starts, writes **David White**

Long way to catch up

Unemployment has always been comparatively low because of the region's structure of small farmholdings. But the official rate has increased by half since 1988, from 12.3 per cent to 18.9 per cent of the active population. This is still below the national level of almost 24 per cent – and nothing like Andalucia where the rate is nearly 35 per cent – but Galicia is the region where the increase has been sharpest. Employment during that period has shrunk by a third in the primary sector and a tenth in industry, with the only significant increase in services, including tourism.

The crisis in shipbuilding, a backbone of the industrial sector with a big network of auxiliary suppliers, has been only partly offset by new industry and the consolidation of the motor sector around the Citroën factory in Vigo. Astano, the commercial yard at the naval town of Ferrol, has exited from the building of ships altogether.

At the same time, differences between the more dynamic coastal region, with its better communications, and the interior have become accentuated. Social transfers exceed agricultural income in rural areas. The provinces of Lugo and Ourense rank among the country's poorest. "For many families, having the grandparents living at home is more important than earnings from the farm," says one economist.

Agriculture and fisheries account for 8 per cent of regional income but nearly 30 per cent of employment – a remarkable figure for a European region. However, according to the Xunta's figures, this has come down from almost 37 per cent at the end of the 1980s, five times the EU average.

A structure of small and dispersed farms – legacy of an archaic leasing system – has held back productivity. Considerable efforts have been made to update the dairy, meat and wine industries, and investment in farm machinery and moves to concentrate land holdings have made an impact. However, owners are reluctant to sell land; much has been just abandoned; and prices are out of proportion to potential revenues. High land prices are also a barrier to industrial development.

The fishing industry suffers from excess capacity in the face of continuing pressure over its access to fishing grounds, in spite of the EU's agreement to bring forward Spain's participation in the common fisheries policy to January next year. According to the Xunta's figures, the region's 8,800 fishing vessels – 45 per cent of the Spanish total – directly employ more than 40,000, with another 15,000 working in the shellfish sector.

Under the share-out of EU support funds for 1994-99 agreed last year, Galicia is due to receive direct investment equivalent to Pta192bn, the second largest package for any Spanish region after Andalucia, which has a population two and half times Galicia's 2.7m. The main part of this, some 45 per cent, is due to go on improving the productive system, including industry, tourism, agriculture and fisheries.

Efforts to spur industrial development in Galicia go back to the early 1970s with Sodiga, a risk capital venture originally controlled by the Spanish state holding company INI. This has now been brought together with the regional government's economic development institute, Igape, which began operating two years ago, providing soft loans and assistance to small and medium-sized companies. The Xunta has now added to its range of support instruments with the creation of a strategic investment body, Inesga, in association with local banks and savings banks. This is aimed primarily at creating clusters of industries around large groups.

Regional officials and employers look particularly to the future development of forestry and wood-based industries, the livestock sector, clothing, and possibly a revival of shipbuilding.

A principal aim is to bring to Galicia more of the value-added activities linked to its primary products.

The region also has considerable potential as an exporter of energy. It currently has a moratorium on the building of small hydroelectric stations while studies are completed, but it is estimated 300 or 400 could be built. And there are hopes that exploration off the northern Portuguese and western Galician coast will produce oil.

David White discusses the three political incarnations of Manuel Fraga Iribarne

Vigour of a veteran survivor

Nothing, it seems, stops Mr Manuel Fraga Iribarne. A lesser or less energetic figure might, at 72, regard the presidency of his home region as a peaceful sinecure at the end of a remarkable political career. But as he lopes around the offices of Galicia's parliament building there can be no question about who is in charge.

The length of time Mr Fraga has spent in the limelight both before and after the country's transition to democracy sets him apart among contemporary Spanish politicians. His life in politics has been not so much a career as three careers.

With a brilliant academic record in law and political science, Mr Fraga worked up through the Falangist political organisation, the Movimiento. After a first senior administration post in the education ministry, General Franco made him minister of information and tourism when he was 39. Responsible for easing the regime's strict censorship, he was removed in 1969 for being too liberal, and four years later was sent off as ambassador to London.

Widely looked on by western governments as one of the great hopes for moderate reform in Spain, he was back in the first post-Franco cabinet as deputy prime minister for home affairs. In 1977 he set up the conservative Popular Alliance, which has since become the Popular Party. In the first general election, it fared surprisingly badly, coming fourth behind the Communists. But with the Socialist election victory in 1982 it established itself as the main opposition, with Mr Fraga in his second political incarnation as opposition leader.

Faced with the party's apparent inability to shake off associations with the past, he left the leadership four years later, although remaining honorary party president. In 1989 he set up in Galicia, securing an absolute majority, reinforcing it in the last elections in 1993 and emerging, to the surprise of many, as a believer in regional autonomy.

Manuel Fraga, president of the Galician Xunta: a pioneer of reform since the days of Franco

From his days serving a dictator for whom regional autonomy was anathema, it would appear an extraordinary conversion. But Mr Fraga shrugs off the question. "I have always said the same," he claims.

People have been wrong, he says, to think in terms of two alternatives, regional nationalism and centralism. He does not subscribe to Galician nationalism but champions regional demands, urging reform of the Spanish senate to make it the voice of the regions and arguing in Europe for the subsidiarity principle – devolution of decision-making – to be applied to regions as well as member states.

Could he have imagined 30 years ago that he would one day address the Spanish parliament in the Galician language? "Since I was born, I have always spoken Galician and Spanish at the same time," is Mr Fraga's oblique answer.

A famously robust and formidable figure, of legendary short patience and impulsiveness, rapid of speech, working to a clockwork schedule, Mr Fraga nonetheless appears to have mellowed in his presidential post.

He says he plans to retire at the next regional election in 1997, when he will be turning 75. "It is a very reasonable age. And apart from that I will have done my job." By this he means having ensured that Spain has a national alternative to the current Socialist government, and at the same time "leaving Galicia in good order".

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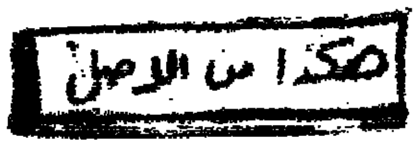


■ SOCCER

Coruña team walks tall

Real Club Deportivo de La Coruña is one of Galicia's institutions, never more than in the last couple of seasons. And so is its chairman, Mr Augusto César Lendoiro, whose imperial first names match his combative reputation.

This is the one part of Spain that does not go in for bullfighting, and so there is nothing to rival soccer. But Galician clubs have rarely made the big time. Today the region is unique in having three teams in the Spanish first division: Deportivo, only a penalty short of winning the league title last year, is Spain's footballing revelation of the 1990s.


Deportivo chairman Lendoiro: the toast of A Coruña and Galicia

When Mr Lendoiro took over in 1988 it was a struggling second division side weighed down by debt. Once before it was league runner-up, in 1949-50, a memorable season when it thrashed Real Madrid 5-0, but it has spent more time out of the first division than in it.

"In a way it is a bit the dream of all Galicians who never imagined they could have a champion side," Mr Lendoiro says of the club's recent success. "We could have been champions, and still could be."

Deportivo was founded in 1907 as an offshoot of a local gym, the Sala Calvet. In those days they also played cricket in the town known in English atlases as Corunna.

The club had its own 1914-18 war, when dissidents seceded to form an alternative team, Deportivo F.C. Auténtico. The two were eventually re-united. Then came rivalry with the newly-formed Celta club in Vigo, bitter from the start when Deportivo poached all Celta's top players.

Elsewhere in Spain, competition football was disrupted by the Spanish civil war, but not in this northwesternmost province. The Riazor ground which the club uses today was bought by the town hall shortly before the war ended in 1939, just off the waterfront. From the grandstand, if you are not enjoying the football, you can watch the Atlantic rollers crashing in on the beach.

For Mr Lendoiro, the excitement generated by Deportivo's exploits marks a break from the "rather apologetic" way of thinking typical of Galicia. The club's blue-and-white strip represents the colours of both the town and the Galicia region. Like Spain's big-city teams, Deportivo – Dépor for short – has its own gang of hard-core fans, the *Riazor Blues*.

Mr Lendoiro set the club on a new financial footing by turning it into a limited company in 1992. Ownership is widely spread amongst Deportivo's 26,000 members. Mr Lendoiro says 95 per cent of shareholders own three shares or less.

The chairman, a 49-year-old lawyer, is also a leading local figure in the conservative Popular Party – in Galicia the ruling party but here in opposition to the Socialists. He and Mr Francisco Vázquez, the town's popular Socialist mayor, were once intimate friends. In school, Mr Lendoiro recalls, they shared the same desk. Has their relationship survived their political rivalry? "It seems not," he smiles.

But he adds: "I would not exchange being chairman of the club for being mayor. In Deportivo you are president of all the Coruñeses. There's no opposition."

David White

■ CANNERIES

Dented by the supermarkets

TOM BURNS describes the drastic restructuring of the canning industry

Everything and nothing has changed at the Bernardo Alfageme canning plant since it first opened for business at the port of Vigo in 1873. Machines pack, seal and label the tins but the tuna is first cleaned by hand by women poised by the conveyor belt, often a grandmother sitting between her daughter and grand-daughter.

The plant is built around an atrium and the glass-plated executive offices of the family-run firm stand by a wooden corridor that looks down on to the machines, including huge pressure cookers, the conveyor belts and their attendant women on ground floor level. Taking pride in Alfageme's antiquity, Mr Ramón Calvo, the managing director, explains that he literally put his foot down when European Union inspectors suggested that he replace the corridor's ship-deck planking.

But Mr Calvo is also quietly delighted that Banco Bilbao Vizcaya (BBV), the big domestic bank, is offering to buy 40 per cent of the company in order to bring it under its expanding food and distribution umbrella. The owner of 34 per cent of the Basque canning company Garavilla, the market leader in Spain, BBV has been courting the third-ranked Alfageme business for nearly four years and Mr Calvo says an agreement is possible "if the price is right".

Alfageme is well established and the dozens of tinned fish products that it sells, almost exclusively to the domestic market, under its Miau brand name, keep it comfortably profitable on a Pta10.5bn ($81.7m) turnover. But the canning business is changing fast, particularly in Galicia where it has always been centred.

Twenty years ago there were 400 canning businesses in Galicia. Now there are about 150 and that could be halved again in the near future. Mr Calvo says that the top four canning concerns in Spain, three of which are headquartered in Galicia, control less than 40 per cent of the market and that the logic is that they should share a quota of nearer 80 per cent.

The upheaval is due to the enormous strength of the big distributors and the hypermarkets who now impose tough conditions on suppliers and consequently squeeze margins to the point of sending the smaller firms out of business.

Galicia's canning companies have tradition and skilled know how and all the fish they need on their doorstep. But they must either evolve towards the gourmet sector with higher value products, join forces to take on the mass market or close down.

Car industry's progress fails to offset gloom over the fishing industry, says **Tom Burns**

Biggest employer is all at sea

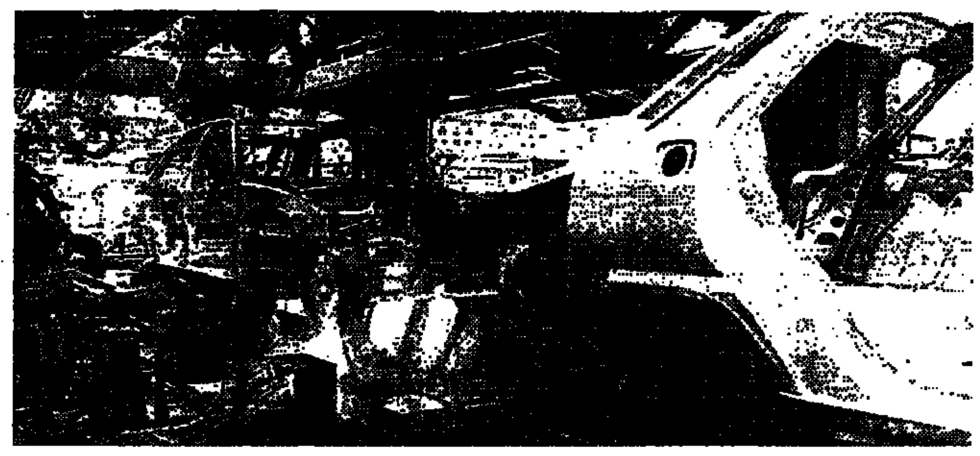
Mr Antonio Couceiro, the Galician government's industry minister, says that the Citroën car plant in Vigo is "a source of pride for Galicia" as well as "a model producer" within the French auto group.

It is also, together with the large and fast-expanding A Coruña textile group Inditex, one of the few bright spots on the region's industrial landscape.

The recent bitter dispute between the European Union and Canada over fishing stocks of Greenland halibut highlighted the fragility of Galicia's biggest industrial sector. At the centre of the row was one of 38 deep-sea trawlers based in Vigo that together employ some 1,200 fishermen and provide jobs on land for a further 7,500, slightly more than the labour force at the Citroën car plant.

Vigo, the largest fishing port in Europe, has a fleet totalling 428 vessels, directly employing 8,500, and the town is also the headquarters of the Pescanova frozen fish giant that has a global network of subsidiaries, 107 trawlers distributed around the world and a Vigo-based work force of 3,600. In all Galicia, the fishing business accounts for close to 200,000 jobs.

The Canadian row was only the latest in a series of earth tremors, brought on by depleting fish stocks and the extension of exclusion zones, that is shaking the foundations of the region's major income earner.


The Citroën factory in Vigo: one of the bright spots on the industrial landscape

Galicia is begining to look like a mining area in which the mineral seams are close to exhaustion.

Declining fish stocks are starting to make Galicia look like a province whose main natural resource has been worked out

The Greenland halibut, which is fished mostly by Galician trawlers close to Canada's territorial waters and is exported to Japan, had become one of the trawler fleet's chief products after it was excluded from the tuna grounds off coast of Namibia in an ejection that caused 45 Vigo deep sea trawlers to be either sold or broken up for scrap.

The Citroën plant, which raised its production last year by 35 per cent to a record 282,000 units, 72 per cent of which were exported, is in contrast set to grow.

Mr Couceiro is currently negotiating incentives with Citroën and with the Madrid administration that will pave the way for new investments of Pta17.6 ($140m) over the next four years.

Unlike the troubled SEAT subsidiary in Barcelona of the Volkswagen group, Citroën Hispania's plant, which dates back to the early 1960s, is a success story, not least because it enjoys enviable labour relations. "Citroën is very competitive here," says a senior Vigo official. "It has no complexes about being part of a foreign group and there isn't the slightest risk of any cut backs."

The success has created increasing talk of using Citroën as the prime mover in a "cluster" of industrial businesses, principally serving the auto industry, in the Vigo area. Mr Couceiro's department is at present identifying groups that could be lured into an enlarged manufacturing network based on the main car plant and its component suppliers.

The "cluster" strategy involves the close co-operation of industrial units and services with a nearby main producer. Less advanced, but also under study, are proposals to create an additional two "clusters" in the vicinity of Vigo, one concentrated on fishing, with Pescanova as the prime mover, and the other built around the granite sector that uses Vigo as its main export outlet.

The long shadows cast over the fishing industry may put the second cluster on hold while an enlarged and integrated granite industry is at best a mid-term prospect. The Xunta is investing strongly in granite research to upgrade technology but Mr Couceiro concedes that "we cannot overnight move from producing primary products to having a transformation industry."

WHERE THE JOBS HAVE GONE (000s)

	1988	1989	1990	1991	1992	1993	1994*
Farming, fishing	408	383	337	306	282	284	268
Industry	150	155	157	158	160	142	133
Construction	87	93	93	104	98	89	89
Services	396	413	443	445	434	433	429
TOTAL	1,042	1,044	1,029	1,013	974	949	919

Source: Xunta de Galicia *1st three quarters only

HOW GALICIAN PER CAPITA INCOME COMPARES

	% of Spanish average	% of EU average
1990	82.14	63.93
1991	81.57	65.65
1992	81.55	65.26
1993	84.02	66.88

Source: Fundación FIES

Tourist authority targets the thinking visitor, writes **Tom Burns**

A place for pilgrims

Most regional government officials in Galicia are run off their feet in order to keep up with Mr Manuel Fraga, the Xunta's remarkably energetic president. Mr Francisco Garcia-Bobadilla, Galicia's secretary-general for tourism, feels the pace as much as any of his other colleagues.

Famous as an all-rounder, Mr Fraga is an acknowledged expert on tourism promotion. In the 1960s, as General Franco's minister of information and tourism, he coined the slogan "Spain is different" and brought package tourists to the Costas by the million.

It is ironic that an older but scarcely more mellow Mr Fraga should have established his ultimate political base in an area that has escaped the charter flight invasion. A foreigner who prefers to meet the natives rather than other foreigners when on holiday in Spain would be well advised to plan on a vacation in Galicia for Mr Fraga's homeland has for generations been favoured by Spaniards for their family holidays.

Mr Francisco Garcia-Bobadilla, whose family used to run a small hotel in rural Galicia, knows perfectly well that his brief is to drum up business. Tourism in Galicia represents only 4.2 per cent of the region's GDP – less than half the national average – and that is not the sort of statistic that Mr Fraga is satisfied with.

Mr Francisco Garcia-Bobadilla's department has accordingly put a high priority on improving existing facilities in a bid for quality tourism. The effort to raise standards has included a training centre, funded by the Xunta and organised by Lausanne's Ecole Hôtelière, which opened in Santiago last year. In a second development that is also a far cry from the high density, tower block resorts that Mr Fraga promoted 30 years ago, the regional authority is sponsoring an away-from-it-all bed and breakfast network. *Mr Francisco* Garcia-Bobadilla prefers visitors to come with a guide book and trekking boots rather than a bucket and spade.

Businesses are being encouraged to organise a host of activities from pot-holing to rafting

Galicia's holiday product comes under the broad headline of green tourism. The Xunta has recently given its seal of approval to 80 bed and breakfast establishments, ranging from manor houses to farm houses, which are now listed in its Turgalicia booking service and the plan is to bring the total number up to 500 over the next five years.

This strategy has the important additional effect of restoring the old buildings of rural Galicia. The Xunta pays up to 50 per cent of the refurbishing costs of homes on condition that they remain open 11 months a year for the ensuing 15 years to bed and breakfast guests.

Turgalicia regulates the services and standards of these establishments, provides a free booking service and guarantees the payment of reservations made through the service.

Taking a leaf from Mr Fraga's book, Mr Francisco Garcia-Bobadilla has single-mindedly encouraged dozens of small businesses to organise a host of activities from pot-holing to rafting, under Turgalicia's umbrella, in some of the wildest terrain in western Europe.

As the strategy matures, the regional authority is likely to bring in as many green tourists as it wants. Galicia has after all been attracting trekkers for centuries – ever since the first pilgrims started walking to the shrine of Santiago de Compostela more than 1,000 years ago.

The cathedral and town centre of Santiago de Compostela: a shrine for pilgrims for more than 1,000 years

Tom Burns explores the strong regional connections with northern Portugal

Where cross border trading flourishes

The tensions that often bedevil relations between Lisbon and Madrid tend to dissolve in the soft Celtic heritage that is shared by north Portugal and Galicia. Seen from Oporto and from Vigo, two bustling industrial cities 150 kms from each other, cross-border trading is a welcome fact of life.

Lisbon has traditionally viewed Madrid as being overbearing to the point of being predatory in its approach to Portugal but attitudes are markedly different in the northwest of the Peninsula.

"The Portuguese look differently on the Galicians," says Mr Francisco López Peña, chief executive of the Port of Vigo authority. "The language affinity is very important and there is a strong, mutual empathy between the two communities."

"Everyone around here goes several times a year to Portugal," says Mr Gustavo Luca de Tena, an editor at A Nossa Terra, a Vigo-based magazine and book publisher. "We spend weekends there and the Portuguese come here on shopping sprees."

Portuguese acquisitiveness goes well beyond Vigo's big retail stores. Two years ago the big, partially-privatised Cimentos de Portugal (Cimpor) industrial group bought Corporación Noroeste, Galicia's largest cement producer, and last month Caixa Geral de Depósitos (CGD), the leading financial group in Portugal, bought Banco Simeón, a banking network with 60 branches that is concentrated in southern Galicia, from Argentaria, Spain's state-controlled banking corporation.

Cimpor's 1993 purchase gets high marks from Galicia's regional authorities for it has been followed up by the opening of two new production centres one of which, located near Lugo, manufactures large blocks for big bridge building projects. "Cimpor is investing and creating jobs," says Mr José Antonio Orza, the Xunta's *economy minister*.

Rooted to the soil: Galician mother and son tend their crops

CGD's acquisition in contrast has unsettled Galicia's government and, in particular, Caixa Galicia, the region's main savings bank which had made a late, and unsuccessful bid for the Simeón network.

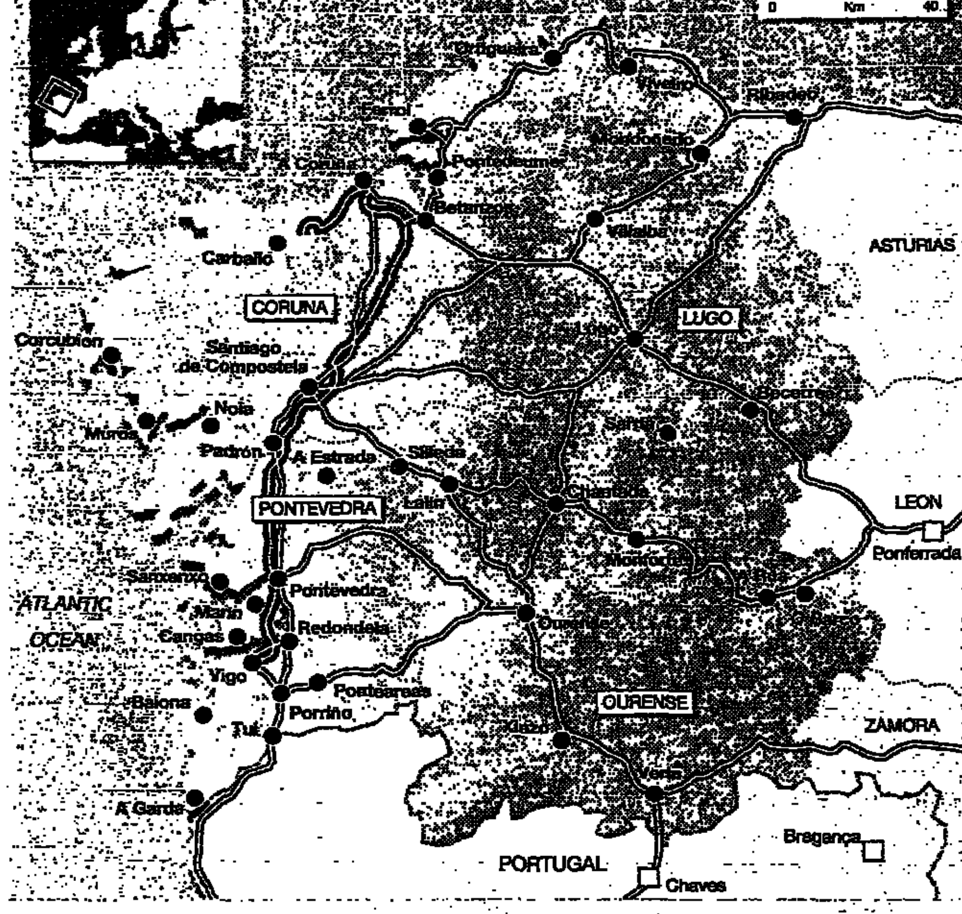
"*Argentaria is a* publicly-controlled group and Simeón is virtually 100 per cent a Galician business and we were not informed of the disposal plans," says Mr Orza. The Xunta, and especially Caixa Galicia's ambitious chief executive Mr José Luis Méndez, had wanted the Argentaria subsidiary to end up within the savings bank orbit as part of a general move to build up a dominant financial institution.

In protest at Simeón's sale to Portuguese interests, the mayor of A Coruña announced that he was closing down the city's accounts in Argentaria.

In contrast, CGD's takeover has won plaudits in Vigo where the cross-border culture is well entrenched. The acquisition was privately praised by directors of Caixa de Vigo, the local savings bank which is fearful of the Caixa Galicia's growth, and, much to the irritation of the Xunta, publicly endorsed by Vigo's mayor. Vigo boldly styles itself as the industrial *hub of an arc that embraces* southern Galicia and north Portugal and the presence of Portugal's largest banking group in the Vigo vicinity further fuels the town's wider ambitions.

The cross-border economic mix is likely to grow in the light engineering industries and particularly in the automotive components sector. The low cost base for unskilled labour in Portugal, together with a scarce and expensive skilled work force, complements the labour market in the Vigo area where the trend has long been towards greater specialisation.

The ports of Vigo and Oporto both stand to gain by sharing their respective container freight businesses. Vigo is seeking to re-route its container traffic to the US and the Far East from Bilbao and Barcelona to Oporto. Already the sixth largest container port in Spain, it is expecting to build up its own capacity with increased trade from Portugal.



■ INFRASTRUCTURE

A lot of loose ends

You can now travel south from Santiago de Compostela on a splendid, curving and little used toll motorway. The new stretch *makes a continuous single* motorway from A Coruña in the north of the region to Vigo in the south. The trouble is that it still does not connect with motorways leading anywhere else.

Galicia is one of the last parts of Spain not linked by fast modern road to Madrid or the rest of Europe. The regional government, the Xunta, has been fighting to *overcome the legacy of long* neglect which has left Galicia geographically and economically isolated. But, in spite of heavy investment and vehement lobbying, the battle is not yet won.

The roads are probably the most symbolic aspect of this regional predicament. Spain's new network of motorway-*standard state highways, or autovias*, stops half way from Madrid to Galicia's main towns. The remaining 300km are hard driving. Two *autovia* branches are promised, one to the north through Lugo to Corunna, the other south through Ourense to Vigo.

They were due to be ready for next year, but the completion date is now in some doubt because of cuts in central gov*ernment spending, which prin*cipally affect public works. Contracts have been placed for most of the 640km to be built, but not all.

The new roads will not only give the region an outlet but also connect the backward rural interior with the richer and more populous coastal region. The coastal motorway will in turn connect with the Portuguese motorway running north from Lisbon.

Ecologist groups oppose the Pta444bn project because of its potential impact on wildlife, including one of western Europe's last remaining wolf populations. But there can be no *doubt that most Galicians* would be outraged if they failed to materialise.

With railways, the situation is worse. Galicia has a network of just over 1,000km, but services are notoriously slow and infrequent, the equipment run-down and obsolete. The state company Renfe has been cutting back on loss-making local lines. In stark contrast to the new high-speed trains connecting Madrid with Andalucía, railways here are a constant gripe.

Big investment programmes have tackled other outstanding infrastructure needs, bringing Galicia up to date, notably in rural electrification and telephone services, the latter a marked personal triumph for Mr Manuel Fraga, the regional president. A Pta45bn programme agreed with the telecommunications group Telefónica in 1992, partly financed by the Xunta, has brought some 100,000 new lines, meeting demand in the dispersed villages and hamlets throughout the interior and increasing the proportion of digital lines. The region also claims to have the best television and radio signal coverage in Spain.

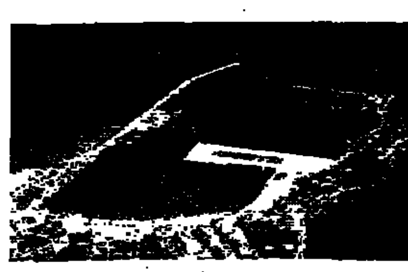
The main towns and industrial areas are meanwhile due to be connected to the natural *gas supply network by the end* of next year.

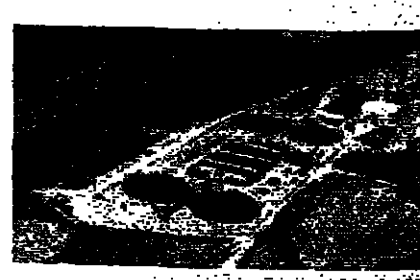
Galicia's five big ports come under central government auspices, but the Xunta is seeking to transfer administrative responsibility.

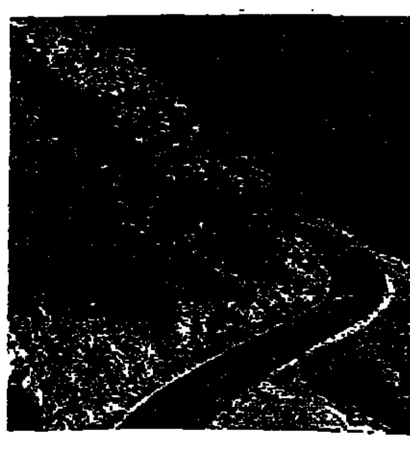
One of Galicia's most ambitious programmes involves a proliferation of business parks, of which some 96 were envisaged at the *beginning of the decade, when* Spain was still enjoying something of an economic boom. The Xunta is now rethinking this plan, although its industry chief Mr Antonio Couceiro says he remains "a defender of the spirit of the programme".

Some of the projects have come in for criticism. A new Technology Park outside Ourense, designed to attract investment with a high R&D content, has earned the nickname "Technology Parking Lot". Eyebrows have also been raised by the siting of a business park at the small interior town of Lalín, which happens to be the political home base of Mr Xosé Cuiña, now head of *the Xunta's territorial* administration and public works department and a candidate for the succession as regional president.

David White







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COMMODITIES AND AGRICULTURE

Platinum prices surge to fresh 4½-year highs

By Kenneth Gooding, Mining Correspondent

Platinum prices reached fresh 4½-year peaks yesterday as the precious metals revival, sparked by last week's cut in Germany's Bundesbank discount rates, continued.

In London, platinum closed yesterday at US$442 a troy ounce, adding $7.75 to last week's $17.75 increase.

Analysts suggested technical factors were driving precious metals prices up and dealers said some Japanese buying of platinum was seen yesterday. It was also pointed out that platinum, now more of an industrial metal than a precious one, was likely to benefit from a potentially expansionary round of interest rate cuts in the industrialised countries as they fought to bring stability to the US dollar.

In its recent interim report on the market, Johnson Matthey, the world's biggest platinum group metals trading organisation, suggested that platinum demand last year rose by 7 per cent to a new peak of 4.32m ounces, driven up by the requirements of producers of anti-pollution car exhaust catalysts and jewellery manufacturers.

JM said that Russia, the world's second biggest producer after South Africa, was taking advantage of the strong demand and its sales were likely to have jumped by 17 per cent from the 1993 level to about 800,000 ounces. Russia could sustain these levels of exports only by drawing from its stocks, JM insisted.

Gold's price, which last week increased by $9.75 a troy ounce after Thursday's Bundesbank rate changes, was virtually unchanged from Friday and closed in London at $391.90. Silver gained another 3 cents an ounce to close at $5.285.

Zimbabwe set to become second-biggest producer

By Kenneth Gooding

The way is now clear for Zimbabwe to become the world's second largest producer of platinum following deals between three of the world's biggest mining companies: Broken Hill Proprietary, Anglo American Corporation of South Africa, and the RTZ Corporation.

BHP, the diversified metals and energy group that is Australia's biggest company, now controls all of the so-called Great Dyke in Zimbabwe, which is geologically similar to the Bushveld Complex in South Africa, the world's largest repository of platinum group metals.

The Australian group's decision to go ahead with the US$225m development of the Hartley platinum mine on the Great Dyke, was announced with great fanfares last August. BHP owns 67 per cent of the Hartley project and Delta Gold, an Australian company, has the rest.

BHP is now also acquiring most of the Mhondoro joint venture, adjacent to Hartley on the Great Dyke. Delta owns 24 per cent of Mhondoro and its partners were Anglo American, South Africa's biggest group, and RTZ Zimbabwe, a local company 56 per cent owned by RTZ, the world's biggest mining group. Anglo sold its 38 per cent stake to RTZ last year for an undisclosed sum. BHP has now agreed to pay US$19m for that holding and a further $19m for the 38 per cent owned by RTZ Zimbabwe.

Mr Peter Vanderspuy, Delta's chairman, who has long dreamed about merging the Great Dyke platinum properties, believes the region could support annual output of 600,000 troy ounces of platinum, or about 12 per cent of global output. However, this would necessarily be staged over a 10- to 15-year period.

Hartley alone will produce about 150,000 ounces a year when in full production in 1997, adding about 3 per cent to world supply.

Mr Lee Clifford, the RTZ executive director responsible for mining, said his group was selling the Mhondoro stake because "there is scope for only one major development there." Mr Gillespie Robertson, BHP's senior vice president, Africa, Mideast and Europe, said Mhondoro was being acquired "with a view to the long-term development of the Hartley project".

Bigger world cotton crop forecast next season

Global cotton production in 1995-96 is projected at 19.32m tonnes, compared with 18.83m in 1994-95, the International Cotton Advisory Committee says, reports Reuters from Washington. Demand for 1995-96 is pegged at 19.2m tonnes, up from 18.63m.

Global copper supply deficit 'nearly over'

By Kenneth Gooding

Growth in copper consumption in countries outside the former eastern bloc is likely to be between 2.5 and 3 per cent in 1995 and next year. And with refined copper production now growing at 6 to 7 per cent annually, "the supply deficit is nearly over", according to the Bloomsbury Minerals Economics consultancy organisation.

The steep fall in copper stocks may have only one more quarter to run, says Mr Peter Hollands in Bloomsbury's Copper Briefing Service newsletter.

He warns, however, that stocks in warehouses of the London and New York metal exchanges will fall sharply in the second quarter of 1995, probably to between 150,000 and 175,000 tonnes. "In the short term – until early June – London Metal Exchange prices seem unlikely to fall below the recent flow of $1.27-$1.28 a pound, but very likely to head back towards the high level seen in January. New York Commodity Exchange stocks are so low that US prices could become very volatile over the next few months."

Producers are likely to take advantage of price rallies and sell forward as "this may be their last chance to lock in high prices."

Bloomsbury suggests prices will weaken appreciably on both exchanges from late June to September.

● Some of the high-cost Japanese copper smelters, which account for 15 per cent of world smelting capacity, may be forced to close because of the global glut of sulphuric acid, the CRU International consultancy organisation suggests today.

At present the Japanese smelters enjoy sulphuric acid credits worth about 4 cents per pound of copper, equivalent to 20 per cent of operating costs. But import restrictions that have kept sulphuric acid prices in Japan artificially high are likely to come under pressure, says CRU. "This will add to the squeeze on domestic smelters' revenues at the same time as the duties of refined copper imported into Japan are reduced following the completion of the Uruguay Round trade agreement. High cost smelters could, therefore, be forced to close and, if they want to stay in business, Japanese smelter companies will have to consider moving their operations off-shore."

CRU suggests that, in less-industrialised parts of the world, surplus sulphuric acid is less of a problem. In Chile, for example, not enough acid is produced to satisfy rising requirements from plants treating mined copper using hydrometallurgical processes.

Copper Briefing Service, £185 or US$295 for three months, from Bloomsbury Minerals Economics, 70 Marchmont Street, London WC1N 1AB, UK. "Copper Smelter and Refinery Costs," and "The five-year outlook for Sulphuric Acid," £9,200 and £3,950 respectively from CRU, 31 Mount Pleasant, London WC1X 0AD, UK.

World Bank and UN back pest management plan

By Geoff Tansey

A $1m effort to reduce pesticide use was launched last week after the World Bank announced a $500,000 contribution. The integrated pest management facility will receive a further $500,000 from the UN's Food and Agriculture Organisation as well as support from the UN Development Fund and UN Environment Programme in its first year.

The facility will fund projects to support low-chemical use and participatory approaches to pest management with the aim of cutting excessive and costly pesticide use, which poses a threat both to human health and to the environment.

Integrated pest management encourages natural predators and makes use of resistant varieties and crop rotation, backed by carefully timed, selective spraying of pesticides if necessary. Chemical pesticides are still used, but less often and in smaller amounts.

Farmers need to be well trained and to receive plenty of technical and policy support to use IPM according to the World Bank.

"Although we've had some breakthroughs with integrated pest management, such as on rice in Asia, the realisation of IPM programmes at the farmer level has been too slow," says Mr Ismail Serageldin, the bank's vice president for environmentally sustainable development. "This facility will effectively draw on local, national and international expertise, knowledge and resources to get the quick response we need to promote sustainable agriculture in the poorest countries."

The facility goes part of the way to meeting the so-called Agenda 21 agreed at the Rio de Janeiro "Earth Summit" in 1992. That called for putting IPM practices within reach of farmers through farm networks, extension services and research institutions. A target date of 1999 was set for its achievement.

The facility has been designed in consultation with various non-government organisations, including the California-based Pesticide Action Network and will involve non-governmental organisations active in the field.

Initially, funding will go to high priority, pilot projects where IPM based on ecological means of pest control is likely to produce immediate, substantial and quantifiable benefits. Current proposals include projects involving rice in Madagascar; vegetables in west Africa, Trinidad, Vietnam and Zimbabwe; and cotton in China.

In east Africa, fungicides and insecticides are often over-used on vegetables and occasionally fruit crops grown under or near coffee. By using non-formal education methods with farmers in IPM this over-use can be cut and lead to better pest management in the coffee cash crop as well. One project will promote this change to IPM and will involve non-governmental organisations operating at village level, such as the Kenya Institute of Organic Farming, which has experience in participatory training methods.

The facility will focus on field-based action but will be supported on the research front by the 16 international centres supported by the Consultative Group on International Agricultural Research, of which Mr Serageldin is also chairman. The centres are sponsoring an international network of institutions with interests in IPM research.

MARKET REPORT

Metals end on positive note

London Metal Exchange base metal markets ended on a positive note, although trading was fairly slow.

COPPER's cash premium over three months moved out threateningly above $60 a tonne at one stage as the market positioned itself for key April traded option declarations tomorrow.

The TIN market was also underpinned by developing supply tightness as the cash/three months discount narrowed in to around $35 from near $50 last week.

At the London Commodity Exchange, COCOA futures prices were down around intraday lows at the close as arbitrage selling cut earlier gains. The July position last traded down £6 at £951 a tonne after ranging from £950 to £965.

Compiled from Reuters

Australians hope for coal deal

By Nikki Tait in Sydney

A fifth round of negotiations between the Australian coal companies and the Japanese steel mills over the 1995-96 supply contracts, began yesterday in Toyko, with some very cautious optimism on the Australian side that a deal could be getting nearer.

The Australian suppliers are seeking a price rise of close to US$6 a tonne, which would equate to about a 12 per cent increase, while the Japanese are thought to have been reluctant to go above US$4 a tonne.

The producers have argued that such an increase is warranted by better market conditions, and some increased settlements in Europe.

Contract negotiations between the Australians and Japanese have led to successively lower prices for the past four years, and when the coal producers agreed to take another cut last year, angry miners imposed work stoppages in protest – leading on to a government-backed inquiry into the sector and its export performance. Coal is Australia's biggest export, with around 40 per cent going to Japan.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1863-4	1872-3
Previous	1858-9	1872-3
High/low	1862.5/1862	1887/1850
AM Official	1861-2	1870-1
Kerb close		1886-7
Open int.	216,587	
Total daily turnover	50,777	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1825-35	1820-30
Previous	1835-45	1830-40
High/low		1835
AM Official	1825-35	1825-30
Kerb close		1820-5
Open int.	2,781	
Total daily turnover	810	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	594.5-5.5	608-8.5
Previous	590-1	605-6
High/low		612/606
AM Official	594-5	607-8
Kerb close		609-10
Open int.	35,925	
Total daily turnover	2,760	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7580-90	7715-20
Previous	7640-50	7770-80
High/low	7595/7590	7800/7730
AM Official	7595-600	7730-5
Kerb close		7740-50
Open int.	53,776	
Total daily turnover	12,604	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5795-805	5830-40
Previous	5745-55	5790-800
High/low		5880/5800
AM Official	5795-800	5835-40
Kerb close		5860-70
Open int.	19,924	
Total daily turnover	4,589	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1037-8	1060-2
Previous	1036-7	1062-3
High/low		1085/1055
AM Official	1036-6.5	1060-1
Kerb close		1064-5
Open int.	96,982	
Total daily turnover	13,286	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2988-9	2926-7
Previous	2984-5	2934-5
High/low	2979/2978	2930/2910
AM Official	2978-9	2918-9
Kerb close		2926-7
Open int.	236,845	
Total daily turnover	51,691	

■ LME AM Official £/$ rate: 1.6170

LME Closing £/$ rate: 1.6167

Spot:1.6158 3 mths:1.6145 6 mths:1.6116 9 mths:1.6085

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int.	Vol
Apr	140.50	+1.00	140.70	140.20	1,770	581
May	138.40	+1.70	138.55	137.10	28,077	9,923
Jun	135.60	+1.40	135.40	135.40	914	132
Jul	133.50	+1.55	133.60	132.10	7,270	1,190
Aug	131.45	+1.55	-	-	389	1
Sep	129.40	+1.55	129.40	128.50	3,583	335
Total					49,243	12,898

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	391.70-392.10		
Opening	391.80-392.20		
Morning fix	392.25	242.459	441.909
Afternoon fix	392.30	242.340	440.671
Day's High	393.50-393.80		
Day's Low	391.20-391.60		
Previous close	391.50-392.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.59	6 months	5.05
2 months	4.70	12 months	5.34
3 months	4.78		

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.80	530.15
3 months	332.30	537.00
6 months	337.15	549.90
1 year	350.70	563.40

Gold Coins	$ price	£ equiv.
Krugerrand	396-399	244-247
Maple Leaf	403.80-406.30	-
New Sovereign	91-94	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	392.7	+0.5	394.6	392.5	3,199	7,678
May	393.6	+0.6	-	-	200	450
Jun	394.9	+0.6	397.2	394.3	93,918	108,141
Aug	398.2	+0.6	400.2	398.2	19,781	3,163
Oct	401.8	+0.7	-	-	5,784	79
Dec	405.4	+0.7	407.3	405.0	14,289	372
Total					182,829	122,854

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	442.1	+2.9	444.0	439.0	628	739
Jul	448.1	+2.9	450.0	443.2	18,092	9,666
Oct	449.6	+2.9	450.0	447.5	2,461	21
Jan	452.7	+2.9	454.5	453.0	726	3
Total					21,929	10,429

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	175.30	-0.50	178.00	173.25	6,699	893
Sep	177.05	-0.50	179.50	177.75	879	42
Dec	178.30	-0.50	-	-	180	4
Mar	166.50	-	166.50	166.50	-	-
Total					7,758	959

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	528.4	-0.9	-	-	20	35
May	530.8	-1.0	538.0	527.0	57,478	44,859
Jul	535.5	-0.8	543.0	533.0	20,556	6,958
Sep	541.0	-0.6	546.0	538.5	11,888	753
Dec	549.8	-0.4	557.0	548.0	17,016	835
Jan	552.9	-0.3	-	-	15	-
Total					132,824	53,894

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	19.06	-0.11	19.16	19.01	88,558	42,229
Jun	18.88	-0.07	18.94	18.83	65,700	22,857
Jul	18.66	-0.07	18.72	18.64	38,385	6,385
Aug	18.45	-0.07	18.51	18.45	18,862	2,559
Sep	18.33	-0.08	18.31	18.28	23,018	1,689
Oct	18.30	-	-	-	11,285	535
Total					360,528	81,294

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	17.30	-0.20	17.49	17.28	49,793	23,960
Jun	17.04	-0.16	17.24	17.04	40,926	11,939
Jul	16.87	-0.16	17.00	16.86	15,330	1,185
Aug	16.77	-0.13	16.90	16.76	12,207	454
Sep	16.73	-0.11	16.81	16.73	6,266	158
Oct	16.77	-0.03	16.77	16.77	3,889	83
Total					146,320	38,471

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	47.50	-0.10	47.75	47.45	34,508	17,946
Jun	47.90	-0.13	48.10	47.90	17,711	4,207
Jul	48.35	-0.13	48.60	48.30	16,116	2,078
Aug	48.95	-0.13	49.15	48.95	7,968	111
Sep	50.15	+0.22	50.15	50.15	4,881	272
Oct	50.86	+0.22	51.00	50.85	3,831	136
Total					117,137	37,331

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	152.50	-2.50	155.00	152.25	26,850	7,326
May	151.00	-1.75	153.00	150.75	24,139	8,492
Jun	150.25	-1.75	152.00	150.00	18,544	2,276
Jul	151.00	-1.75	152.50	151.00	8,880	618
Aug	153.00	-0.75	154.00	152.50	2,669	358
Sep	154.25	-1.00	155.50	154.25	3,008	293
Total					95,482	18,266

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	1.695	+0.010	1.710	1.685	29,659	6,619
Jun	1.760	+0.009	1.775	1.750	16,195	2,857
Jul	1.795	+0.011	1.800	1.785	15,518	1,744
Aug	1.795	-	1.805	1.795	13,002	1,273
Sep	1.795	-0.005	1.810	1.800	13,200	1,109
Oct	1.825	-0.003	1.830	1.825	9,442	907
Total					149,428	16,365

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	57.60	-0.58	58.40	57.50	28,026	18,027
Jun	57.15	-0.45	57.50	57.00	12,493	8,183
Jul	56.60	-0.50	56.90	56.55	8,875	2,738
Aug	56.00	-0.35	56.05	56.00	5,352	1,094
Sep	55.05	-0.23	55.05	55.05	2,479	413
Oct	54.85	-	-	-	1,643	25
Total					62,087	37,592

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	116.00	+0.90	115.25	115.50	1,888	203
Jul	116.95	+0.90	117.25	116.40	502	71
Sep	102.35	+0.50	-	-	332	-
Nov	103.50	+0.65	103.50	103.25	2,499	95
Jan	105.50	+0.85	105.50	105.40	800	35
Mar	106.75	+1.00	-	-	402	-
Total					6,423	444

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	345/6	+2/4	347/0	340/4	18,741	3,936
Jul	340/4	+1/4	341/0	337/4	24,919	8,400
Sep	345/2	+1/4	347/2	344/0	4,158	944
Dec	358/4	+1/6	359/6	355/4	2,854	445
Mar	363/0	+1/0	363/0	361/0	170	21
Total					50,867	13,758

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	253/2	+3/2	254/0	249/6	101,887	19,889
Jul	259/2	+3/4	260/0	255/4	113,155	13,986
Sep	262/2	+3/6	262/4	258/2	21,018	2,039
Dec	264/6	+3/0	265/0	261/4	94,302	17,959
Mar	271/0	+3/2	271/2	267/4	9,788	1,309
May	275/4	+3/0	275/4	272/2	538	42
Total					349,460	56,031

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.50	+0.75	-	-	153	-
Sep	101.50	+0.90	-	-	135	-
Nov	102.25	+0.55	-	-	533	-
Jan	104.40	+0.40	104.25	104.25	184	10
Mar	105.75	-	-	-	109	-
Total					1,091	10

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	582/2	+8/2	583/0	573/4	38,308	9,659
Jul	593/2	+9/0	594/0	584/2	49,181	18,827
Aug	597/0	+8/4	598/0	589/6	7,365	741
Sep	600/0	+9/6	600/2	591/4	4,112	359
Nov	606/6	+8/4	609/4	598/6	29,338	5,581
Jan	615/0	+8/0	615/4	607/0	2,028	71
Total					133,387	35,363

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
May	25.54	-0.10	25.70	25.50	28,284	10,123
Jul	25.22	-0.07	25.40	25.15	22,039	8,103
Aug	25.13	-0.02	25.30	25.10	8,211	488
Sep	25.05	0	25.25	25.00	7,018	278
Oct	24.97	-0.01	25.10	24.95	6,865	338
Dec	24.82	+0.17	25.00	24.70	13,432	1,869
Total					86,694	19,286

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
May	172.5	+5.1	172.6	167.1	32,544	5,394
Jul	176.9	+5.1	177.0	171.7	30,959	4,847
Aug	178.8	+5.0	179.0	173.8	7,971	761
Sep	180.5	+5.0	180.6	176.3	5,581	768
Oct	181.5	+4.2	181.5	177.0	9,025	374
Dec	183.6	+3.8	184.0	179.5	12,544	1,242
Total					99,484	13,469

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	295.5	+0.5	300.0	298.0	268	6
May	335.5	-7.5	340.0	335.0	157	19
Jun	250.0	-	-	-	-	-
Nov	105.0	-	-	-	-	-
Mar	250.0	-	-	-	-	-
Total					576	34

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	2128	+9	-	-	884	-
May	2069	+29	2075	2040	1,019	20
Jun	1940	-	-	-	-	-
Jul	1880	+20	1885	1870	1,064	40
Oct	1950	+20	1850	1850	982	12
Jan	1805	+5	-	-	325	-
Total					4,274	72

	Close	Prev
BFI	2197	2209

Tea

There was good demand, reports the Tea Brokers' Association. Bright liquoring east Africans sold well at fully firm to dearer rates but bright mediums were often 4 to 6 pence easier. Coloury mediums were a good feature and prices gained 2 to 4 pence. The small selection of Ceylons on offer remained firm. Offshore - Ceylons advanced while Africans were unchanged. Quotations: best available 160p/kg, good 128p/kg, good medium 110p/kg, medium 94p/kg, low medium 84p/kg. The highest price realised this week was 161p/kg for a Kenya pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	932	-1	948	931	19,369	921
Jul	951	-6	965	950	17,760	686
Sep	967	-5	978	965	15,827	591
Dec	985	-3	997	985	19,957	274
Mar	1006	-3	1011	1005	26,415	27
May	1016	-3	1022	1019	5,603	53
Total					115,265	2,538

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1308	-2	1328	1304	31,257	5,811
Jul	1329	-3	1349	1328	15,344	1,519
Sep	1355	-2	1372	1355	9,412	923
Dec	1382	-3	1402	1382	6,234	470
Mar	1411	-3	1423	1423	5,974	85
May	1428	-3	1448	1448	4,702	-
Total					89,165	8,918

■ COCOA (ICCO) (SDR's/tonne)

Mar 31	Price	Prev. day
Daily	929.81	915.55

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	3084	+29	3090	3065	13,896	653
Jul	3025	+20	3045	3015	10,555	893
Sep	2986	+24	3002	2973	8,477	243
Nov	2953	+35	2960	2950	1,582	62
Jan	2942	+32	2938	2938	284	5
Mar	2923	+30	-	-	8	-
Total					34,600	1,858

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	165.45	-0.85	167.00	164.60	13,092	4,349
Jul	166.95	-1.10	168.50	166.20	10,083	1,766
Sep	167.80	-1.25	169.00	167.50	6,062	655
Dec	168.00	-1.00	169.25	168.00	5,665	60
Mar	167.75	-1.25	169.10	168.50	1,606	11
May	167.75	-1.00	-	-	51	-
Total					36,539	6,841

■ COFFEE (ICO) (US cents/pound)

Mar 31	Price	Prev. day
Comp. daily	156.45	155.88
15 day average	159.87	160.90

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	15.28	-0.07	15.28	15.28	1,061	48
Jul	15.15	-	-	-	2,360	-
Oct	12.58	-	-	-	-	-
Jan	13.26	-	-	-	-	-
Mar	12.03	-	-	-	2,000	-
Total					5,421	48

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	373.3	-1.0	378.5	373.0	10,158	1,554
Aug	361.7	-0.8	363.8	361.1	8,357	580
Oct	331.5	-0.3	333.0	332.0	3,604	81
Dec	322.5	+0.2	323.0	322.0	1,136	40
Mar	317.7	-0.6	318.2	317.2	729	20
May	316.8	-1.1	-	-	238	-
Total					24,258	2,275

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	14.39	+0.11	14.49	14.30	51,672	5,502
Jul	13.11	-0.03	13.25	13.10	38,716	2,984
Oct	12.23	-0.03	12.34	12.23	35,932	1,535
Mar	11.79	-0.01	11.90	11.78	14,315	916
May	11.63	-	11.71	11.63	3,852	115
Jul	11.38	+0.04	11.38	11.38	4,344	5
Total					149,597	11,869

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	96.22	-1.93	98.20	96.15	16,123	4,488
Jul	91.10	-2.00	94.20	91.10	17,906	3,934
Oct	81.28	-0.32	82.25	81.10	8,664	580
Dec	75.48	-0.04	77.30	78.30	24,958	2,987
Mar	77.80	+0.13	78.45	77.70	6,659	567
May	78.50	+0.05	78.85	78.60	1,967	123
Total					74,658	12,881

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	105.65	+0.40	106.40	104.60	11,515	884
Jul	109.60	+0.15	110.50	108.70	5,963	222
Sep	113.55	+0.35	114.00	112.90	4,949	184
Nov	111.55	+0.35	111.00	111.00	2,359	41
Jan	113.50	+1.10	113.50	112.00	1,745	84
Mar	115.00	+1.10	115.00	114.75	318	-
Total					26,932	1,262

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 3	Mar 31	month ago	year ago
2303.7	2298.1	2337.2	1926.8

■ CRB Futures (Base: 1967=100)

Mar 31	Mar 30	month ago	year ago
216.30	234.06	232.11	224.37

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	68.550	+1.200	68.850	67.550	27,984	8,015
Jun	62.650	+0.950	63.200	61.850	25,399	5,770
Aug	60.900	+0.750	61.450	60.200	10,845	1,968
Oct	62.175	+0.500	62.800	61.775	8,454	786
Dec	64.100	+0.475	64.500	63.625	3,284	242
Feb	65.050	+0.425	65.400	64.650	2,398	163
Total					77,171	16,979

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	38.450	+0.975	38.800	37.600	4,715	1,494
Jun	44.300	+1.350	44.400	42.975	12,363	3,887
Aug	43.850	+1.125	43.925	43.025	4,664	1,647
Oct	40.700	+1.075	41.050	40.150	2,904	621
Dec	41.550	+1.000	41.700	40.800	3,380	512
Feb	41.925	+0.800	42.150	41.925	1,080	207
Total					29,612	8,469

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	39.975	+0.950	40.500	38.475	3,780	1,197
Jul	40.325	+0.675	40.875	38.300	2,221	485
Aug	38.825	+1.200	39.550	37.300	691	101
Feb	50.500	+1.000	50.500	49.250	159	35
Mar	48.575	+0.275	48.575	-	18	9
Total					6,849	1,842

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1850	131	159	98	144
1900	108	137	123	170
1950	87	117	152	200
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2850	119	85	63	137
2900	92	67	86	168
2950	70	52	112	201
■ COFFEE LCE	May	Jul	May	Jul
2950	169	252	35	177
3000	135	227	51	202
3050	105	204	71	229
■ COCOA LCE	May	Jul	May	Jul
925	23	57	16	31
950	12	44	30	43
975	5	34	48	58
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	85	100	38	73
1700	57	76	62	98
1750	34	58	95	131

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$16.41-6.51q	
Brent Blend (dated)	$17.88-7.90	-0.085
Brent Blend (May)	$17.33-7.35q	-0.085
W.T.I. (1pm est)	$18.95-8.97q	-0.17

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$188-189	+6.0
Gas Oil	$153-154	-3.0
Heavy Fuel Oil	$97-98	-1.5
Naphtha	$167-168	-1.0
Jet fuel	$173-175	-4.0
Diesel	$154-156	-3.0

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

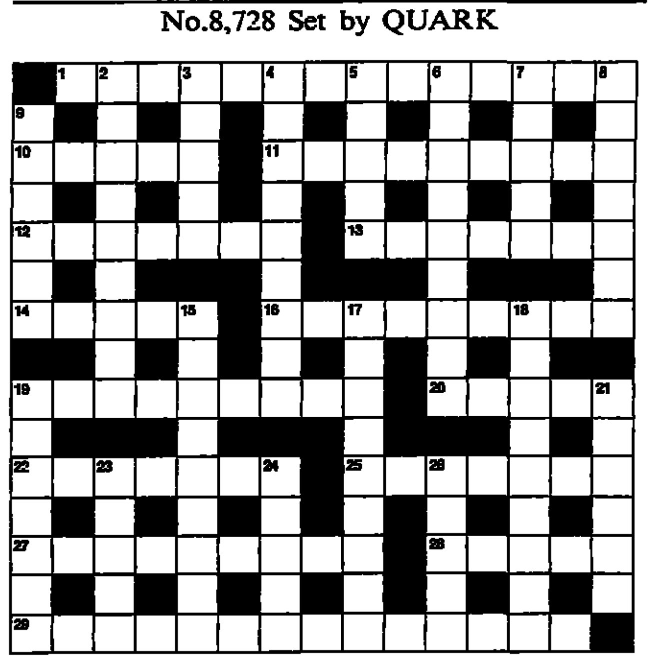
Gold (per troy oz)♣	$391.90	+0.15
Silver (per troy oz)♣	528.50c	+3.00
Platinum (per troy oz.)	$442.00	+7.75
Palladium (per troy oz.)	$172.75	-1.75
Copper (US prod.)	144.0c	-1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.29m	-0.10
Tin (New York)	276.50c	-4.00
Cattle (live weight)†	124.57p	+2.68*
Sheep (live weight)†♦	131.34p	+1.15*
Pigs (live weight)†	88.90p	-1.34*
Lon. day sugar (raw)	$385.0	
Lon. day sugar (wte)	$375.0	
Tate & Lyle export	£340.0	
Barley (Eng. feed)	£112.75	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	122.00p	
Rubber (May)♥	122.00p	
Rubber (KL RSS No1)	472.5m	-0.5
Coconut Oil (Phil)§	$620.0u	-10.0
Palm Oil (Malay.)§	$660.0z	-17.5
Copra (Phil)§	$412.0u	
Soyabeans (US)	£166.0y	
Cotton Outlook'A' Index	107.20c	+1.20
Wooltops (64s Super)	522p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,728 Set by QUARK



ACROSS

1 Not going in for spending? (6-8)
10 Tony's tips include rum for a drink (5)
11 Belittle training in eg trade (9)
12 Fortune at present in India (7)
13 Listen to a number to cheer one up (7)
14 It's the distance round something (right round) (5)
16 Deliveries tried differently when worn out? (9)
19 Place for students to cross by the river (9)
20 Coarse person sending back fodder to the ducks (5)
22 Recall Cinders dancing? (7)
25 Waste time going after distinctive dress (7)
27 Company to recommend dry English vegetable (9)
28 He could have several stones to work off (5)
29 Test colleague by way of a trial (14)

DOWN

2 Do mice run wild here? That's improper behaviour (9)
3 The most senior member has money to support the party (5)
4 State in which weeds are in evidence? (9)
5 A rounding of shoulders? Thinker may have it (5)
6 What's mature in the larder giving spectacular display? (9)
7 Unfit in a number of exercises (5)
8 Tilted under gravity, but picked up (7)
9 Partly test a lagging in wartime camp (6)
15 Bring hare out as a forerunner (9)
17 One depositing cones always on go? (9)
18 This could be a play in practice (9)
19 There's craft about where advice is sought (7)
21 Lots of water (6)
23 Defeat the supporter of bail (5)
24 Some fumed at umpire? It's a fact (5)
26 Drink at bar endlessly in dance (5)

Solution to Saturday's prize puzzle on Saturday April 15.
Solution to yesterday's prize puzzle on Tuesday April 18.

INTERNATIONAL CAPITAL MARKETS

Treasuries lifted by support for dollar

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices were lifted yesterday morning by a Federal Reserve move to shore up the dollar and a fresh signal that the economy is slowing.

By late morning the benchmark 30-year Treasury was up $\frac{7}{16}$ at $102\frac{25}{32}$ to yield 7.392 per cent. At the short end of the market, the two-year note gained $\frac{3}{32}$ to $99\frac{29}{32}$, yielding 6.727 per cent.

At mid-morning, Treasury prices rose after the National Association of Purchasing Management said its index of business activity fell to 51.4 per cent last month, its lowest level since September 1993.

The figure was a decrease from the 54.5 per cent for February and well below the forecast 53.5 per cent. A reading above 50 per cent is generally considered a sign of economic expansion, while a reading below that level is considered a sign of slowing.

Considered especially important was a drop in the NAPM's measure of prices paid by manufacturers, because investors have interpreted jumps in that data as a sign of inflationary pressures working their way into final prices.

The prices paid index dropped to 79.4 per cent, the lowest level in six months.

Later in the morning, bonds got some support from the Federal Reserve, which intervened in the foreign exchange market to bolster the dollar.

The currency, which had been trading at historically low levels against the Japanese yen, advanced against both the yen and the D-Mark.

However, although the Fed helped the dollar off its session lows, it was still changing hands against both currencies for less than it had in late trading on Friday.

Near midday, the dollar was at Y86.20 and DM1.3725 against Y86.55 and DM1.3735.

Earlier in the morning the dollar was a negative force on prices, which were nearly flat before the release of the NAPM figures. Also restraining the market was news from the Commerce Department that personal income rose by 0.5 per cent in February, slightly more than expected.

■ European government bonds rose yesterday, buoyed by better than expected German and US economic data and shrugging off the continued weakness of the US dollar and other currencies against the D-Mark.

GOVERNMENT BONDS

■ German government bonds led the way, outperforming other markets largely on the back of data showing a 0.1 per cent fall in import prices in February.

Traders said the figure gave some justification for the Bundesbank's cut in interest rates last week but others said that bunds remain nervous about the damage the cut has done to the central bank's anti-inflation credibility.

"At least we now have some data telling us that the strong D-Mark is starting to dampen price pressures," said Ms Phyllis Reed, European bond strategist at BZW in London.

A rally in US Treasuries on the back of a fall in the US purchasing managers index added to the upward momentum in European markets in afternoon trading.

■ UK government bonds followed bunds higher, in spite of the continued weakness of the pound against the D-Mark.

Traders said money supply figures, showing an annual rise in M0 in March of 7.0 per cent, were slightly higher than expected, although the weaker trend in notes and coins provided a fillip.

A rise in the price component of the UK purchasing managers index was largely expected, and provided no justification for a tightening of monetary policy when the Bank of England and the Treasury meet tomorrow, dealers said.

"The weakness of the domestic economy is still tying the Bank's hands on interest rates," said Mr Robert Thomas, bond strategist at NatWest Markets.

■ French government bonds moved ahead with Germany, although the yield spread over bunds widened to 73 basis points. Italian government bonds fell back as the lira slipped further against the D-Mark.

■ The rises in Europe followed strong overnight gains in the Japanese government bond market on the back of the continued strength of the yen.

"Investors see a strong yen hitting exports, which in turn will hit the stock market with a resulting flight to quality into JGBs," said Mr Garry Jones, senior bond strategist at Paribas.

Cadbury plans US preference share issue

By Antonia Sharpe

Cadbury Schweppes, the UK confectionery and soft drinks group, yesterday went to the US preference share market to refinance part of the bank borrowings it took out to fund its \$2.5bn acquisition of the Dr Pepper/7-Up companies.

When Cadbury announced the bid for the US soft drinks group in January, it said it would raise £570m in new debt.

The company said that it also planned to finance the purchase with a rights issue to raise £395m and an underwritten enhanced scrip dividend which would improve its cash-flow by up to £111m.

Yesterday, Cadbury said the proceeds from its \$400m offering of perpetual fixed-rate preference shares would refinance about £200m of its bank borrowings. The shares, which are expected to be priced later this week, are likely to pay a dividend of about 8% per cent.

The US has a well-established market in preference shares, which are a cross between between debt and equity. Although the investor receives a dividend, the product tends to trade like a bond.

From the issuer's standpoint, preference shares are a cost-effective way of raising core capital because of the tax deductions which can be made on the dividend payments.

Officials at Merrill Lynch, which arranged Cadbury's offering together with Goldman Sachs, said that the deal provided badly-needed supply in the US preference share market.

There has been little issuance this year and the market is flush with cash following IBM's success in buying back about \$836m worth of its preference shares.

Secured finance for German bank

By Richard Lapper

J. P. Morgan has announced an innovative deal allowing Germany's third largest mortgage bank to raise secured finance against a section of its mortgage portfolio.

Gems German Mortgage Securities, a new Utrecht-based financing vehicle, issued DM380m of five-year and DM142.6m of 10-year notes to finance the acquisition of residential and commercial property loans from Rheinische Hypothekenbank, the Frankfurt-based bank largely owned by Commerzbank.

Mr Alexander Justham, vice-president at Morgan, said the financing will complement rather than compete with the bank's financing through Pfandbriefe – mortgage-backed bonds.

German mortgage banks are allowed to raise a maximum of 60 per cent of the value of the properties on which they extend mortgages from the Pfandbriefe market.

The deal will allow Rheinische to finance the difference between the amount raised through Pfandbriefe and the value of the extended mortgages. The loan portfolio bought by Gems consists of the subordinated portions of more than 7,000 real estate loans.

Mr Justham said Morgan had not tried to "replicate a full securitisation of mortgage assets. This is a complementary financing of a junior portion of the loans."

Although securitisation of mortgage and other consumer loans is common in the US market and is growing in the UK, the German authorities have been reluctant to accept it on the grounds that it dilutes the quality of the assets and weakens the link between lender and borrower.

The issue consists of two sets of notes: DM380m in series A-1 notes due 2000 and DM142.6m due 2005 in series A-2 notes. The A-1 notes, rated Aaa by Moody's Investor Services, are the first publicly traded eurobonds secured by German mortgage assets, said Morgan.

Japan topped JP Morgan league table in March

By Antonia Sharpe

Japan was the best-performing government bond market last month, with a local currency return of 4.43 per cent, according to figures compiled by J.P. Morgan. The rally was supported by a strong yen, a cut in the overnight money market rate and signs that the economy was slowing down.

The strong showing in March also put Japan ahead on a three and 12-month view, generating returns of 6.41 and 6.9 per cent respectively. In dollar terms, it recorded a return of 16.88 per cent.

Europe's high-yielding markets – Spain, Italy and Sweden – produced the worst returns last month, of minus 0.31 per cent, minus 0.75 per cent and minus 2.21 per cent respectively. The negative returns reflected currency volatility, continued political turmoil and fears of inflation in those markets.

J.P. Morgan noted that interest rate cuts in Germany, Belgium and the Netherlands, and a flight to quality by investors, caused a severe steepening in their respective yield curves. The German five to 10-year spread now stands at around 85 basis points, the widest in Europe, with Dutch and Belgian five to 10-year spreads at about 70 basis points.

Lofs cuts its funding costs

By Martin Brice

London & Overseas Freighters, the Bermuda-based and London-quoted shipping company, has cut its funding costs with a \$120m syndicated loan, underwritten by Chase Manhattan.

Interest on the eight-year loan will be payable at 100 basis points over the London interbank offered rate or 112 basis points over Libor, depending on the proportion of the loan secured on cash flow from planned charters.

The loan will replace existing debt, some at 136 basis points over Libor, and finance instalments on two vessels to be delivered this year.

Two-thirds of the principal will be repaid over eight years. The rest will be payable at the end of the period.

Banks offer repo in World Bank global

By Martin Brice

The World Bank brought its long-awaited DM3bn global eurobond yesterday, with both lead managers reporting that it was oversubscribed.

The 10-year deal will be priced today at 14 basis points over the comparable Treasury bond. Demand was said to have come 15 per cent from Asia, 30 per cent from North America, and 55 per cent from Europe.

INTERNATIONAL BONDS

The deal is notable for the first commitment by banks to create a repurchase (or repo) market in a eurobond issue. Repo markets are common in government bonds, but this is the first time institutions have committed themselves to a repo in a eurobond issue.

A repo market enables investors and traders to borrow and lend bonds through so-called sale and repurchase agreements. The increased liquidity makes the bonds more attractive to investors.

Six institutions have told the World Bank they are committed to a repo market in the issue. They are CS First Boston, Deutsche Bank, Goldman Sachs, Merrill Lynch, Morgan Stanley and SBC. They will quote a bid/offer spread on a screen system, starting about three weeks after settlement.

Elsewhere, such action as there was in the market had a Germanic flavour. The Council of Europe brought a DM150m deal via UBS; J.P. Morgan and Commerzbank handled a highly-structured D-Mark deal for Gems; and NordDeutsche Landesbank raised \$250m with a deal via Goldman Sachs.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Norddeutsche Landesbank	$250	7.25	100.00R	Apr.1998	0.188R	-	Goldman Sachs
YEN							
Mitsubishi Tst. & Bk. Corp‡#*	5bn	(d)	100.35	Jul.2005	0.35	-	Mitsubishi Tst. Intl.
D-MARKS							
The World Bank	3bn	(a)	(a)	Apr.2005	0.325	+14 (7¼-05)	Deutsche Bk/Goldman S.
Gems BV(b)	380	6.625	99.485R	Apr.2000	0.30R	+43 (7¾-99)	J.P.Morgan Gmbh
Gems BV(c)*	142.6	7.420	100.50R	Apr.2005	0.50R	-	J.P.Morgan Gmbh
Council of Europe	150	6.375	100.39R	May.1999	-	-	UBS

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) To be priced today. b) Mortgage backed deal. Series A1. c) Mortgage backed deal. Series A2. d) Subordinated issue. Coupon pays 5yr swap rate -57bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	94.5500	-0.410	9.90	10.09	10.21
Austria		7.500	01/05	100.4100	+0.210	7.43	7.42	7.68
Belgium		6.500	03/05	90.2800	+0.870	7.95	8.06	8.31
Canada *		9.000	12/04	101.3000	+0.800	8.79	8.81	8.88
Denmark		7.000	12/04	88.2500	+0.350	8.85	8.89	8.92
France	BTAN	8.000	05/98	101.0900	-0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.7900	+0.640	7.81	7.89	8.08
Germany Bund		7.375	01/05	101.8700	+0.670	7.10	7.18	7.45
Ireland		6.250	10/04	82.5500	+0.250	8.82†	8.81	8.80
Italy		9.500	01/05	80.2500	-0.660	13.15	12.98	12.26
Japan	No 119	4.800	06/99	107.9040	+0.128	2.80	3.11	3.80
	No 174	4.600	09/04	108.5410	+1.338	3.41	3.89	4.51
Netherlands		7.750	03/05	103.3600	+0.660	7.26	7.32	7.58
Portugal		11.875	02/05	98.6500	+0.330	12.10	12.13	11.65
Spain		10.000	02/05	87.3600	-0.070	12.24	12.38	11.67
Sweden		6.000	02/05	67.9150	-0.470	11.64	11.23	10.76
UK Gilts		6.000	08/99	91-26	+8/32	8.29	8.33	8.59
		8.500	12/05	100-17	+18/32	8.42	8.45	8.65
		9.000	10/08	104-15	+19/32	8.44	8.45	8.64
US Treasury *		7.500	02/05	102-17	+23/32	7.14	7.07	7.41
		7.625	02/25	102-26	+32/32	7.39	7.37	7.60
ECU (French Govt)		6.000	04/04	85.6000	+0.560	8.33	8.37	8.53

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	9	One month	5.98	Two year	6.79
Broker loan rate	$6\frac{1}{2}$	Two month	5.83	Three year	6.90
Fed.funds	$6\frac{1}{16}$	Three month	5.86	Five year	7.06
Fed.funds at intervention	$6\frac{1}{16}$	Six month	6.12	10-year	7.18
		One year	6.47	30-year	7.42

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.56	113.06	+0.62	113.08	112.46	108,098	111,911
Sep	112.00	112.52	+0.66	112.38	112.00	1,742	6,800
Dec	111.90	112.42	+0.66	111.90	111.90	2	1,058

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
111	-	2.46	-	0.25	0.45	-
112	1.49	1.71	2.04	0.45	0.69	1.53
113	0.83	1.08	-	0.80	1.13	-
114	0.39	0.62	1.04	-	-	-
115	0.15	0.31	0.89	-	-	-

Est. vol. total, Calls 16,004 Puts 18,002. Previous day's open int., Calls 133,849 Puts 195,224.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.91	92.42	+0.66	92.50	91.84	108630	168100
Sep	91.50	91.91	+0.65	91.59	91.50	356	2053

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9200	0.74	1.04	0.94	1.19	0.32	0.62	1.03	1.28
9250	0.46	0.78	0.71	0.96	0.54	0.84	1.30	1.55
9300	0.26	0.54	0.53	0.76	0.84	1.12	1.62	1.85

Est. vol. total, Calls 16309 Puts 7383. Previous day's open int., Calls 137482 Puts 125671

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.60	93.28	-0.19	93.75	92.98	26810	48161
Sep	-	92.83	-0.19	-	-	0	137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9300	1.83	2.58	1.55	2.95
9350	1.56	2.35	1.78	3.22
9400	1.31	2.14	2.03	3.51

Est. vol. total, Calls 1979 Puts 1308. Previous day's open int., Calls 41655 Puts 30972

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	81.80	81.82	+0.15	82.02	81.41	32,730	50,521

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	102-30	103-14	+0-19	103-20	102-22	29483	84343
Sep	102-19	103-04	+0-18	102-19	102-19	5	100

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
103	1-01	1-31	1-39	2-04	0-37	1-03	1-31	1-60
104	0-33	0-62	1-10	1-39	1-05	1-34	2-02	2-31
105	0-14	0-38	0-51	1-14	1-50	2-10	2-43	3-06

Est. vol. total, Calls 1580 Puts 4161. Previous day's open int., Calls 35137 Puts 45882

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.30	82.74	+0.54	82.78	82.26	3,535	7,837

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-25	103-30	+0-01	104-01	103-23	364,327	329,202
Sep	103-12	103-18	+0-02	103-20	103-11	1,761	17,367
Dec	-	103-03	-	-	-	40	1,537

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	115.75	-	-	115.93	115.66	3298	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon Apr 3	Day's change %	Fri Mar 31	Accrued interest	xd adj. ytd		Low coupon yield Apr 3	Mar 31	Yr. ago	Medium coupon yield Apr 3	Mar 31	Yr. ago	High coupon yield Apr 3	Mar 31	Yr. ago
1 Up to 5 years (24)	119.72	+0.09	119.61	1.81	2.89	5 yrs	8.36	8.43	7.10	8.43	8.48	7.33	8.56	8.62	7.45
2 5-15 years (21)	140.76	+0.46	140.11	1.90	3.56	15 yrs	8.39	8.46	7.59	8.47	8.54	7.70	8.68	8.75	7.97
3 Over 15 years (9)	157.09	-0.56	156.21	1.83	4.05	20 yrs	8.37	8.43	7.68	8.47	8.54	7.70	8.63	8.70	7.80
4 Irredeemables (6)	161.36	+0.55	160.37	3.51	1.47	Irred.†	8.41	8.46	7.80						
5 All stocks (60)	137.58	+0.35	137.10	1.89	3.41										

Index-linked							Inflation 5% Apr 3	Mar 31	Yr. ago	Inflation 10% Apr 3	Mar 31	Yr. ago
6 Up to 5 years (2)	190.67	+0.10	190.47	0.01	2.57	Up to 5 yrs	3.46	3.51	3.21	2.06	2.10	2.29
7 Over 5 years (11)	176.41	-0.22	176.02	0.83	1.28	Over 5 yrs	3.86	3.87	3.41	3.66	3.68	3.23
8 All stocks (13)	175.98	+0.21	176.60	0.75	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 3	Mar 31	Mar 30	Mar 29	Mar 28	Yr ago	High*	Low*
Govt. Secs. (UK)	91.87	91.57	91.98	91.42	91.79	97.80	92.12	90.22
Fixed interest	110.63	110.67	110.48	110.34	110.48	116.31	110.67	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27
Gilt Edged bargains	98.2	108.5	110.0	94.4	97.4
5-day average	101.7	99.6	96.9	94.1	98.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 3

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92½	92¾	+⅛	7.76
Alberta Province 7⅜ 98	1000	100⅞	101⅛	+¼	7.32
Austria 8½ 00	400	104⅝	104⅞	+⅛	7.31
Baden-Wuert L-Fin 8⅛ 00	1000	102⅞	103⅛	+⅛	7.38
Bank Ned Gemeenten 7 99	1000	99¼	99½	+¼	7.19
United Kingdom 7¼ 97	5500	102¼	103		5.82
Volkswagen Intl Fin 7 03	1000	96¼	96⅞	-⅛	7.63
World Bank 0 15	2000	21½	22¼	-⅛	7.70
World Bank 5⅞ 03	3000	91	91⅛	+⅛	7.31
World Bank 8¾ 00	1250	110½	111		6.26
Abbey Natl Treasury 8 03 £	1000	93½	93⅝	+⅛	9.18
Alliance Leics 11⅛ 97 £	100	105¼	105⅝	-	8.51
British Land 8⅞ 23 £	150	89¼	89⅝	+½	10.27
Denmark 6¾ 98 £	800	94⅝	94⅞		8.62
EIB 8 03 £	1000	95	95½	+⅛	8.88
Halifax 10⅜ 97 £	100	103½	103¾		8.31

[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.01	5.98	99⅝xd	—	99⅝	98⅞
10¼pc 1995		10.14	6.49	101⅛	-⅛	101⅞	101⅛
Treas 12¾pc 1995‡‡		12.30	6.52	103¹¹⁄₁₆	-⅛	104⅞	103¹¹⁄₁₆
14pc 1996		13.27	6.85	105½	-⅛	106⅞	105½
15¼pc 1996‡‡		14.06	7.00	108⅛xd	-⅛	109⅝	108⅛
Conversion 9½pc 2004		8.95	8.52	106⅛xd	+½	107⅞	103⅞
Treas 6¾pc 2004‡‡		7.58	8.44	89⅞	+⅜	90⅜	86⅞
8½pc 2005‡‡		8.47	8.41	100⅜	+⅜	101⅛	97⅝
Conv 9½pc 2005		8.92	8.50	106½xd	+⅞	107⅜	103⅝
Treas 12½pc 2003-5		10.21	8.72	122⅜	+⅜	123⅞	119⅜

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Federal Reserve intervenes to curb dollar decline

The Federal Reserve intervened actively on the foreign exchanges yesterday in an attempt to curb the continued fall of the dollar, *writes Philip Gawith.*

For the first time in six years, the Fed intervened in Tokyo during Asian trading, and it returned to the market in the New York morning. According to market sources, the intervention was broad, rather than substantial. It had a negligible impact, with the dollar continuing to trade at pre-intervention levels.

Monetary intervention was supplemented by a measure of verbal support for the dollar, with Mr Robert Rubin, the treasury secretary, saying intervention reflected concern over recent exchange rate movements. President Clinton also lent his support.

There was no evidence, however, of any central bank other than the Bank of Japan supporting the Fed in its efforts to stem the dollar's decline.

The dollar finished in London at DM1.3723, from DM1.3685 on Friday. Against the yen it closed at Y86.19 from Y86.4.

The Fed started to intervene about 30 minutes later, buying first at DM1.3730, and in three subsequent rounds of intervention. It bought dollars against the yen first at Y86.10, and again at Y86.35.

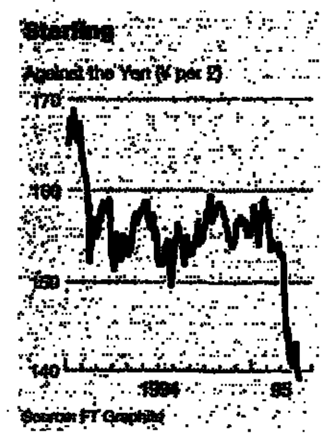
Market activity was fairly quiet elsewhere, with last week's cut in German interest rates serving to take some of the steam out of the D-Mark, especially against core European currencies. Against the weaker currencies, like the lira, it has stayed strong. It closed at L1,254.

Sterling had a fairly subdued day, trading in the wake of the dollar. It closed at DM2.2187, from DM2.229, and at $1.6169, from $1.6288.

■ If the market is unsure about the outlook for the dollar, then this is in no small part due to the slightly puzzling tactics adopted by the US authorities, on whose behalf the Fed intervenes. The combination of verbal and monetary intervention suggests the Treasury is concerned about the dollar, but its timing has been curious.

Intervention works best when it it is directed in the same way the market is moving. On March 8, such an opportunity to support a dollar rally was spurned, as was a further opportunity last Thursday after the Bundesbank cut German interest rates.

And even within the context of yesterday's efforts, traders said the Fed would have been more successful had it intervened during European trading, instead of waiting until these markets had closed.



Source: FT Graphite

■ Evidence for the market's uncertainty comes from the high level of options volatility, coupled with fairly low turnover in the spot market.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said flows in the market were fairly modest, with little evidence of traders or investors taking large positions. This testified to lack of conviction about the likely direction of the market.

Mr Adrian Cunningham, senior currency economist at UBS in London, said: "The market is being characterised by jobbing-type activity, with traders moving in and out of currencies very quickly, trying not to expose themselves." He said the market was dominated currently by interbank flows, with little activity from longer-term investors.

The Fed's intervention was characterised as being broad, rather than deep and intense. One US bank estimated that the Fed had spent about $110m through it, in New York, and was probably doing similar amounts with around ten banks.

Assuming that the Bank of Japan was intervening in similar amounts, it is possible to estimate that around $2-3bn may have been spent supporting the dollar.

■ Current support for the dollar has a distinctly bipolar, US-Japan, flavour. Only these two central banks have been buying the dollar, and the verbal intervention of the past few days has also been coming from these two quarters.

Mr Rubin's comments were supported by a midnight statement from Mr Masayoshi Takemura, the Japanese finance minister. He said Japan had decided "to show its strong determination to ensure currency market stability."

■ The Bank of England cleared a £300m money market shortage at established rates. Three month LIBOR traded at 6 9/16 per cent, still below the 6¾ per cent base rate.

■ Pound in New York

Apr 3	Latest	Prev. close
£ spot	1.6180	1.6220
1 mth	1.6158	1.6217
3 mth	1.6147	1.6207
1 yr	1.6060	1.6110

■ OTHER CURRENCIES

Apr 3	£	$
Hungary	191.717 - 191.962	118.600 - 118.700
Iran	2822.81 - 2826.88	1745.00 - 1750.60
Kuwait	0.4736 - 0.4742	0.2930 - 0.2932
Poland	3.7923 - 3.8004	2.3460 - 2.3500
Russia	7917.81 - 7919.24	4896.00 - 4898.00
U.A.E.	5.9371 - 5.9481	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6135	-0.0732	067 - 202	15.7722	15.5994	15.5929	1.6	15.5648	1.5	-	-	108.5
Belgium	(BFr)	45.6227	-0.1547	047 - 406	46.0220	45.5810	45.6527	-0.8	45.5227	0.9	45.1127	1.1	111.2
Denmark	(DKr)	8.7799	-0.058	752 - 846	8.8514	8.7750	8.7847	-0.7	8.7905	-0.5	8.7816	0.0	110.5
Finland	(FM)	6.9719	-0.0294	658 - 779	7.0490	6.9520	-	-	-	-	-	-	86.9
France	(FFr)	7.7778	-0.0339	749 - 807	7.8167	7.7632	7.7893	-1.8	7.8055	-1.4	7.7878	-0.1	111.2
Germany	(DM)	2.2187	-0.0103	178 - 196	2.2483	2.2152	2.2155	1.7	2.2088	1.8	2.1698	2.2	114.5
Greece	(Dr)	362.902	-0.891	581 - 223	367.802	362.560	-	-	-	-	-	-	69.2
Ireland	(I£)	1.0000	+0.0013	985 - 014	1.0017	0.9980	0.9998	0.2	0.9994	0.2	1.0001	0.0	95.9
Italy	(L)	2781.99	+17.75	917 - 482	2798.88	2757.82	2791.99	-4.3	2813.49	-4.5	2895.99	-4.1	83.5
Luxembourg	(LFr)	45.6227	-0.1547	047 - 406	46.0220	45.5810	45.6527	-0.8	45.5227	0.9	45.1127	1.1	111.2
Netherlands	(Fl)	2.4860	-0.0058	846 - 873	2.5010	2.4794	2.4827	1.6	2.4748	1.8	2.4317	2.2	111.1
Norway	(NKr)	9.9525	-0.0353	479 - 571	10.0434	9.9358	9.9402	1.5	9.9174	1.4	9.8167	1.4	100.3
Portugal	(Es)	234.888	-0.229	732 - 044	236.123	234.400	235.723	-4.3	237.513	-4.5	-	-	97.2
Spain	(Pta)	204.653	-0.576	487 - 818	205.774	204.282	205.133	-2.8	206.273	-3.2	211.068	-3.1	77.4
Sweden	(SKr)	11.9063	-0.098	963 - 162	12.0275	11.8928	11.9084	-0.2	11.9125	-0.2	11.9327	-0.2	76.0
Switzerland	(SFr)	1.8157	-0.0184	145 - 169	1.8379	1.8135	1.8114	2.8	1.8014	3.2	1.7495	3.6	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.0
Ecu	-	1.2152	-0.0072	140 - 164	1.2260	1.2140	1.2151	0.1	1.2153	0.0	1.2101	0.4	-
SDR†	-	1.03364	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6170	-0.0114	165 - 174	1.6268	1.6153	-	-	-	-	-	-	-
Brazil	(R$)	1.4560	-0.0051	532 - 587	1.4625	1.4512	-	-	-	-	-	-	-
Canada	(C$)	2.2642	-0.0206	633 - 651	2.2759	2.2601	2.2675	-1.7	2.2737	-1.7	2.3266	-2.8	80.7
Mexico	(New Peso)	10.9542	+0.0168	114 - 970	11.0134	10.9110	-	-	-	-	-	-	-
USA	($)	1.6169	-0.0119	165 - 172	1.6268	1.6151	1.6166	0.2	1.6156	0.3	1.6062	0.7	89.1
Pacific/Middle East/Africa													
Australia	(A$)	2.2036	-0.017	023 - 048	2.2065	2.2017	2.2058	-1.2	2.2109	-1.3	2.2325	-1.3	79.7
Hong Kong	(HK$)	12.5012	-0.093	976 - 047	12.5784	12.4888	12.5006	0.1	12.5015	0.0	12.4947	0.1	-
India	(Rs)	50.8581	-0.3107	228 - 933	51.0820	50.8210	-	-	-	-	-	-	-
Israel	(Shk)	4.7787	-0.0202	734 - 840	4.8057	4.7728	-	-	-	-	-	-	-
Japan	(Y)	139.356	-1.372	262 - 451	141.690	139.200	138.726	5.4	137.631	5.0	131.676	5.5	166.0
Malaysia	(M$)	4.0822	-0.0427	805 - 839	4.1145	4.0781	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4668	-0.0238	649 - 686	2.4706	2.4645	2.4719	-2.5	2.4824	-2.5	2.5025	-1.4	96.4
Philippines	(Peso)	42.0382	-0.1478	857 - 706	42.4158	41.6714	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0644	-0.0446	627 - 660	6.1010	6.0579	-	-	-	-	-	-	-
Singapore	(S$)	2.2760	-0.0234	747 - 773	2.2954	2.2747	-	-	-	-	-	-	-
South Africa	(R)	5.7977	-0.0277	952 - 001	5.8167	5.7674	-	-	-	-	-	-	-
South Korea	(Won)	1247.16	-10.44	681 - 751	1256.89	1245.89	-	-	-	-	-	-	-
Taiwan	(T$)	41.9265	-0.4179	061 - 469	42.1732	41.8925	-	-	-	-	-	-	-
Thailand	(Bt)	39.7907	-0.3592	659 - 155	40.0440	39.7650	-	-	-	-	-	-	-

†SDR rates per £ for Mar 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.6567	+0.0258	546 - 588	9.7170	9.6400	9.6452	1.4	9.6252	1.3	9.5317	1.3	108.1
Belgium	(BFr)	28.2170	+0.112	120 - 220	28.3750	28.1450	28.2295	-0.5	28.182	0.5	28.092	0.4	110.4
Denmark	(DKr)	5.4303	+0.0043	285 - 320	5.4628	5.4200	5.4343	-0.9	5.4418	-0.8	5.4668	-0.7	108.9
Finland	(FM)	4.3120	+0.0136	092 - 148	4.3385	4.2929	4.314	-0.6	4.3153	-0.3	4.3185	-0.2	85.5
France	(FFr)	4.8105	+0.0145	097 - 112	4.8302	4.7935	4.8185	-2.0	4.832	-1.8	4.8375	-0.8	110.4
Germany	(DM)	1.3723	+0.0038	720 - 725	1.3815	1.3680	1.3706	1.5	1.3673	1.5	1.3513	1.5	113.3
Greece	(Dr)	224.450	+1.1	300 - 600	227.350	224.200	226.75	-12.3	230.7	-11.1	247.95	-10.5	68.2
Ireland	(I£)	1.6170	-0.014	149 - 190	1.6245	1.6148	1.6175	-0.4	1.6191	-0.5	1.6278	-0.7	-
Italy	(L)	1720.63	+23.53	925 - 200	1728.00	1704.00	1726.98	-4.4	1741.63	-4.9	1803.63	-4.8	83.6
Luxembourg	(LFr)	28.2170	+0.112	120 - 220	28.3750	28.1450	28.2295	-0.5	28.182	0.5	28.092	0.4	110.4
Netherlands	(Fl)	1.5375	+0.0077	370 - 380	1.5450	1.5322	1.5357	1.4	1.5319	1.5	1.5143	1.5	110.2
Norway	(NKr)	6.1555	+0.0235	540 - 570	6.1858	6.1244	6.149	1.3	6.1382	1.1	6.113	0.7	99.1
Portugal	(Es)	145.275	+0.925	210 - 340	145.800	144.870	145.875	-5.0	147.025	-4.8	152.325	-4.9	97.3
Spain	(Pta)	126.575	+0.575	500 - 650	127.070	126.100	126.895	-3.0	127.695	-3.5	131.45	-3.9	77.1
Sweden	(SKr)	7.3639	-0.0062	593 - 684	7.4145	7.3348	7.3781	-2.3	7.4099	-2.5	7.5789	-2.9	75.4
Switzerland	(SFr)	1.1230	-0.003	225 - 235	1.1355	1.1205	1.1205	2.6	1.1151	2.8	1.0895	3.0	115.5
UK	(£)	1.6169	-0.0119	165 - 172	1.6268	1.6151	1.6166	0.2	1.6156	0.3	1.6062	0.7	84.7
Ecu	-	1.3305	-0.002	295 - 315	1.3328	1.3208	1.3301	0.3	1.3295	0.3	1.327	0.3	-
SDR†	-	0.64082	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0003	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.9005	+0.0035	990 - 020	0.9025	0.8980	-	-	-	-	-	-	-
Canada	(C$)	1.4004	-0.0024	001 - 006	1.4025	1.3973	1.4027	-2.0	1.4076	-2.0	1.4489	-3.5	79.4
Mexico	(New Peso)	6.7750	+0.06	500 - 000	6.8000	6.7400	6.7773	-0.4	6.7805	-0.3	6.7853	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	90.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3628	-0.0005	624 - 633	1.3644	1.3563	1.3646	-1.6	1.3694	-1.9	1.394	-2.3	81.0
Hong Kong	(HK$)	7.7318	-0.0004	313 - 323	7.7325	7.7310	7.7306	0.2	7.7348	-0.2	7.7703	-0.5	-
India	(Rs)	31.4550	+0.04	400 - 700	31.4800	31.4400	31.535	-3.1	31.78	-4.1	-	-	-
Israel	(Shk)	2.9556	+0.0093	529 - 582	2.9675	2.9471	-	-	-	-	-	-	-
Japan	(Y)	86.1900	-0.21	500 - 300	87.2300	86.0000	85.83	5.0	85.2	4.6	81.995	4.9	165.6
Malaysia	(M$)	2.5248	-0.0077	243 - 253	2.5305	2.5222	2.5228	1.0	2.5204	0.7	2.5148	0.4	-
New Zealand	(NZ$)	1.5258	-0.0035	249 - 265	1.5272	1.5187	1.5294	-3.0	1.5374	-3.1	1.5607	-2.3	-
Philippines	(Peso)	26.0000	+0.1	000 - 000	26.2000	25.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0001	505 - 509	3.7510	3.7505	3.7517	-0.3	3.7538	-0.3	3.7657	-0.4	-
Singapore	(S$)	1.4077	-0.004	072 - 082	1.4115	1.4060	1.4024	4.5	1.3942	3.8	1.3677	2.8	-
South Africa	(R)	3.5858	+0.0093	850 - 865	3.5900	3.5755	3.6038	-6.0	3.6411	-6.2	3.835	-7.0	-
South Korea	(Won)	771.350	-0.75	300 - 400	771.700	769.500	774.35	-4.7	777.85	-3.4	798.35	-3.2	-
Taiwan	(T$)	25.9310	-0.0683	240 - 380	25.9400	25.9240	25.951	-0.9	25.991	-0.9	-	-	-
Thailand	(Bt)	24.6100	-0.04	000 - 200	24.6500	24.6000	24.631	-1.0	24.6575	-0.8	24.745	-0.5	-

†SDR rate per $ for Mar 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 31. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5½	5⅞	5¾	5⅞	5⅝	7.40	4.00	-
week ago	5⅝	5⅞	6⅛	6⅞	6⅝	7.40	4.50	-
France	7⅝	7⅝	7⅝	7¾	7¼	5.00	-	8.00
week ago	7⅝	7⅝	8	7⅝	7½	5.00	-	8.00
Germany	4.62	4.58	4.62	4.68	4.87	6.00	4.00	4.85
week ago	4.57	4.58	5.00	5.10	5.35	6.00	4.50	4.85
Ireland	5⅝	6⅝	7	7¼	7⅝	-	-	6.25
week ago	5¾	6⅝	7	7⅜	7⅞	-	-	6.25
Italy	10	10⅞	11	11½	11¾	-	7.50	10.44
week ago	10⅝	10⅞	11⅛	11⅞	11¾	-	7.50	10.15
Netherlands	4.53	4.61	4.75	4.90	5.19	-	5.25	-
week ago	4.97	4.81	5.10	5.22	5.51	-	5.25	-
Switzerland	3⅝	3⅛	3⅝	3½	3⅝	6.625	3.00	-
week ago	3⅝	3⅝	3¾	3⅞	4	6.625	3.50	-
US	6⅛	6⅛	6¼	6⅜	6⅝	-	5.25	-
week ago	6	6⅛	6⅛	6⅜	6¾	-	5.25	-
Japan	2⅛	1¾	1⅞	1⅞	1⅝	-	1.75	-
week ago	2⅛	1¾	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅛	6½	6⅞	-	-	-
week ago	-	6⅛	6¼	6⅛	6⅞	-	-	-
US Dollar CDs	-	5.94	6.11	6.31	6.67	-	-	-
week ago	-	5.94	6.06	6.23	6.51	-	-	-
SDR Linked Ds	-	4⅝	4½	4⅞	4¾	-	-	-
week ago	-	4¾	4⅞	4⅝	4⅞	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅝; 6 mths: 6⅞; 1 year: 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅜ - 5¼	5½ - 5⅜	5 9/16 - 5 7/16	5 11/16 - 5 9/16	5 15/16 - 5 13/16	6 3/16 - 6 1/16
Danish Krone	7 - 6½	7 - 6½	7¼ - 7	7¼ - 7	7⅜ - 7⅛	7½ - 7¼
D-Mark	4¾ - 4⅝	4⅝ - 4½	4⅝ - 4½	4¾ - 4⅝	4 15/16 - 4 13/16	5 1/16 - 4 15/16
Dutch Guilder	4⅝ - 4½	4 11/16 - 4 9/16	4 13/16 - 4 11/16	4⅞ - 4¾	5 1/16 - 4 15/16	5 5/16 - 5⅛
French Franc	7⅞ - 7⅝	8 - 7¾	8 - 7¾	7⅞ - 7⅝	7 13/16 - 7 9/16	7⅜ - 7⅛
Portuguese Esc.	8⅞ - 8⅝	10⅛ - 9⅞	10 13/16 - 10 11/16	11⅛ - 10⅞	11⅜ - 11⅛	11⅞ - 11⅜
Spanish Peseta	8⅝ - 8½	8 13/16 - 8 11/16	9⅛ - 9	9 13/16 - 9 9/16	10 1/16 - 9 15/16	10 11/16 - 10 9/16
Sterling	6½ - 6¼	6 5/16 - 6 3/16	6½ - 6¼	6 23/32 - 6 21/32	7⅛ - 7	7 11/16 - 7 9/16
Swiss Franc	3⅝ - 3½	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3 9/16 - 3 7/16	3 11/16 - 3 9/16
Can. Dollar	8 1/16 - 7⅞	8 1/16 - 7⅞	8⅛ - 8	8¼ - 8⅛	8¼ - 8⅛	8¼ - 8⅛
US Dollar	6⅛ - 6	6⅛ - 6	6 3/16 - 6 1/16	6 5/16 - 6 3/16	6½ - 6⅜	6⅞ - 6¾
Italian Lira	10½ - 9	10¼ - 10⅛	10½ - 10⅜	11⅛ - 11	11½ - 11⅜	11 15/16 - 11 13/16
Yen	2 - 1 13/16	1 13/16 - 1⅞	1⅞ - 1 13/16	1 13/16 - 1¾	1 13/16 - 1¾	1 13/16 - 1¾
Asian $Sing	3⅞ - 3¾	3¼ - 3⅛	2 13/16 - 2 11/16	2 13/16 - 2 13/16	3 - 2⅞	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.81	92.92	+0.19	93.00	92.75	29,723	48,198
Sep	93.28	93.31	+0.07	93.39	93.24	7,767	34,062
Dec	93.27	93.33	+0.07	93.38	93.27	4,322	21,034
Mar	93.10	93.20	+0.10	93.22	93.10	966	15,442

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	93.52	+0.04	-	-	0	585
Sep	-	93.27	+0.04	-	-	0	329
Dec	-	93.01	+0.07	-	-	0	255
Mar	-	93.01	+0.10	-	-	0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.25	95.30	+0.05	95.30	95.24	24241	172703
Sep	95.04	95.10	+0.08	95.12	95.03	19227	188946
Dec	94.74	94.80	+0.08	94.83	94.73	15112	120358
Mar	94.42	94.49	+0.08	94.50	94.42	5637	65758

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.54	88.39	-0.15	88.58	88.33	6021	40734
Sep	88.53	88.39	-0.14	88.53	88.34	1412	21909
Dec	88.54	88.40	-0.14	88.54	88.39	829	12752
Mar	88.40	88.40	-0.13	88.49	88.40	278	7485

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.48	96.60	+0.12	96.61	96.48	2207	22919
Sep	96.40	96.53	+0.15	96.53	96.40	515	8193
Dec	96.30	96.36	+0.15	96.36	96.30	259	6348
Mar	96.18	96.21	+0.16	96.21	96.18	299	1551

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.22	93.25	+0.05	93.27	93.19	1550	8737
Sep	93.18	93.22	+0.06	93.24	93.16	404	4205
Dec	92.89	92.99	+0.08	92.97	92.89	38	2373
Mar	92.74	92.79	+0.09	92.76	92.72	85	1770

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.25	17.05	4.864	2.192	6098	5.449	21.82	514.9	448.7	26.11	3.981	2.192	4.963	3.544	305.6	2.663
Denmark	(DKr)	51.96	10	8.859	2.527	1.139	3169	2.831	11.34	267.5	233.1	13.56	2.068	1.139	2.579	1.842	158.8	1.384
France	(FFr)	58.65	11.29	10	2.853	1.286	3577	3.196	12.80	302.0	263.2	15.31	2.335	1.286	2.911	2.079	179.2	1.562
Germany	(DM)	20.56	3.957	3.505	1	0.451	1254	1.120	4.485	105.9	92.25	5.367	0.818	0.451	1.020	0.729	62.82	0.548
Ireland	(I£)	45.62	8.780	7.778	2.219	1	2782	2.486	9.953	234.9	204.7	11.91	1.816	1.000	2.264	1.617	139.4	1.215
Italy	(L)	1.640	0.316	0.280	0.080	0.036	100.	0.089	0.358	8.444	7.358	0.428	0.065	0.036	0.081	0.058	5.011	0.044
Netherlands	(Fl)	18.35	3.532	3.129	0.893	0.402	1119	1	4.004	94.49	82.34	4.791	0.730	0.402	0.911	0.650	56.07	0.489
Norway	(NKr)	45.84	8.821	7.815	2.229	1.005	2795	2.498	10	236.0	205.7	11.97	1.825	1.005	2.275	1.625	140.1	1.221
Portugal	(Es)	19.42	3.738	3.311	0.945	0.426	1184	1.058	4.237	100.	87.14	5.070	0.773	0.426	0.964	0.688	59.34	0.517
Spain	(Pta)	22.29	4.289	3.800	1.084	0.489	1359	1.214	4.862	114.8	100.	5.818	0.887	0.489	1.106	0.790	68.10	0.594
Sweden	(SKr)	38.30	7.372	6.531	1.863	0.840	2336	2.087	8.357	197.2	171.9	10	1.525	0.840	1.901	1.358	117.0	1.020
Switzerland	(SFr)	25.12	4.835	4.283	1.222	0.551	1532	1.369	5.481	129.4	112.7	6.558	1	0.551	1.247	0.890	76.76	0.669
UK	(£)	45.62	8.780	7.778	2.219	1.000	2782	2.486	9.953	234.9	204.7	11.91	1.816	1	2.264	1.617	139.4	1.215
Canada	(C$)	20.15	3.878	3.436	0.980	0.442	1229	1.098	4.396	103.8	90.42	5.261	0.802	0.442	1	0.714	61.57	0.537
US	($)	28.21	5.430	4.810	1.372	0.618	1720	1.537	6.155	145.3	126.6	7.365	1.123	0.618	1.400	1	86.21	0.751
Japan	(Y)	32.73	6.298	5.580	1.592	0.717	1996	1.783	7.140	168.5	146.8	8.544	1.303	0.717	1.624	1.160	100.	0.872
Ecu		37.55	7.226	6.402	1.826	0.823	2290	2.046	8.192	193.3	168.5	9.802	1.495	0.823	1.863	1.331	114.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7326	0.7307	+0.0019	0.7330	0.7264	32,395	55,564
Sep	0.7345	0.7342	+0.0022	0.7345	0.7330	255	2,134
Dec	-	0.7353	-	-	-	72	378

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1655	1.1718	+0.0061	1.1735	1.1580	29,083	57,324
Sep	1.1830	1.1860	+0.0061	1.1878	1.1830	316	2,538
Dec	1.1985	1.2000	+0.0035	1.2000	1.1985	277	375

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8919	0.8930	+0.0042	0.8950	0.8881	15,772	26,301
Sep	0.8979	0.8995	+0.0026	0.9002	0.8975	212	2,473
Dec	-	0.9065	-	0.9070	-	12	163

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6228	1.6164	-0.0036	1.6264	1.6138	9,724	23,477
Sep	-	1.6140	-	-	1.6100	54	198
Dec	-	1.6110	-	-	1.6080	30	37

UK INTEREST RATES

LONDON MONEY RATES

Apr 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 4½	6¼ - 6	6⅜ - 6¼	6 19/32 - 6 17/32	7⅛ - 7	7 11/16 - 7 9/16
Sterling CDs	-	-	6 7/16 - 6 5/16	6⅝ - 6 9/16	7 1/16 - 6 31/32	7 9/16 - 7½
Treasury Bills	-	-	6⅜ - 6 5/16	6¼ - 6⅛	-	-
Bank Bills	-	-	6⅜ - 6 5/16	6⅜ - 6¼	6 13/16 - 6 23/32	-
Local authority deps.	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6 7/16 - 6 5/16	6⅝ - 6½	6 29/32 - 6 27/32	7 7/16 - 7 5/16
Discount Market deps	6 - 4⅝	6¼ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.1134pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 25, 1995, Schemes II & III 7.98pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.75	92.78	+0.02	92.78	92.71	14723	98474
Sep	92.33	92.36	+0.03	92.37	92.28	13272	67626
Dec	91.95	92.00	+0.03	92.01	91.90	8460	55081
Mar	91.60	91.69	+0.05	91.69	91.59	2727	38538

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9275	0.22	0.19	0.19	0.19	0.58	0.94
9300	0.10	0.11	0.12	0.32	0.75	1.12
9325	0.03	0.06	0.07	0.50	0.95	1.32

Est. vol. total, Calls 1816 Puts 1430. Previous day's open int., Calls 173100 Puts 133195

EMS EUROPEAN CURRENCY UNIT RATES

Apr 3	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07194	-0.00086	-3.73	9.02	-
Belgium	39.3960	38.0558	-0.0204	-3.40	8.65	25
Germany	1.91007	1.85033	-0.0014	-3.13	8.34	-
Austria	13.4383	13.0223	-0.0088	-3.10	8.31	-
Portugal	195.792	195.953	+0.4	0.08	4.87	-1
Denmark	7.28580	7.32805	-0.02127	0.58	4.35	-4
France	6.40608	6.47348	-0.0213	1.05	3.88	-9
Spain	162.493	170.510	+0.205	4.93	0.02	-34
Ireland	0.792214	0.831480	+0.003491	4.95	0.00	-33
NON ERM MEMBERS						
Greece	292.867	302.688	-0.036	3.35	1.55	-
Italy	2106.15	2314.19	+23.14	9.88	-4.48	-
UK	0.786652	0.832128	+0.002517	5.78	-0.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.525	9.07	9.31	9.62	-	0.29	0.74
1.550	6.69	7.22	7.73	0.04	0.68	1.25
1.575	4.42	5.30	5.98	0.26	1.20	1.96
1.600	2.53	3.67	4.47	0.82	2.05	2.87
1.625	1.17	2.46	3.22	1.95	3.20	4.09
1.650	0.44	1.51	2.29	3.66	4.75	5.58

Previous day's vol., Calls 6,852 Puts 9,848. Prev. day's open int., Calls 246,568 Puts 348,308

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.48	93.50	-	93.51	93.46	157,417	533,446
Sep	93.24	93.24	-	93.25	93.18	193,096	350,565
Dec	92.96	92.97	-0.01	92.98	92.93	146,073	268,511

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.04	94.06	-	94.06	94.03	2,671	15,830
Sep	93.74	93.75	-0.02	93.76	93.73	1,091	10,350
Dec	-	93.50	-	-	93.50	332	9,253

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9525	0.08	0.12	0.15	0.17	0.03	0.07	0.10	0.32
9550	0.01	0.02	0.04	0.08	0.21	0.22	0.24	0.48
9575	0	0	0.01	0.03	0.45	0.45	0.46	0.68

Est. vol. total, Calls 9960 Puts 29793. Previous day's open int., Calls 141954 Puts 230504

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9650	0.17	0.24	0.25	0.07	0.21	0.39
9675	0.05	0.12	0.14	0.20	0.34	0.53
9700	0.01	0.05	0.07	0.41	0.52	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 890 Puts 665

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

BANKS, MERCHANT

Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf	50½	—	99	50¼	6.31	19.8	–
9¼pc Non-Cum Prf	4½	—	118½	3	1.90	–	–
Cater Allen	459	—	*465	418	149.6	7.7	9.5
Close Bros	280xd	+4	*280	219	247.5	3.8	11.6
Gerrard & Nat	415	–1	490	395	202.1	7.2	12.0
Hambros	238	+3	259	195	381.5	8.7	12.3
7½pc Cv Pf	97½xd	+1	112	94	125.6	9.6	–
Joseph (L)	383	—	408	383	29.3	5.8	11.1
King & Shaxson	91	—	103	85	15.6	12.4	9.0
Kleinwort Benson	627xd	–30	668	529	837.0	4.3	12.2
Rea Bros	58	—	67	58	24.1	2.0	16.2
Schroders	1528xd	+3	1548	1360	1,628	1.7	14.9
N/V	1345xd	—	1393	1235	308.1	1.9	12.3
Singer & Fried	82	—	88½	82	159.3	5.5	Φ
Union	67xd	—	*83	70	23.1	4.3	Φ
Warburg (SG)	705	–12	784	655	1,561	3.9	12.9
Wintrust	210	—	235	200	17.9	6.3	14.0

BANKS, RETAIL

Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£22⅝	–⅛	£23⅞	£21⅞	6,954	5.6	Φ
ANZ A$	209	+5	233	198	2,984	5.2	8.0
Abbey National	472xd	+1½	479½	413	6,197	4.7	10.2
Allied Irish I£	270xd	—	278	250	1,789	5.3	10.4
Anglo Irish I£	49	—	58	49	168.6	9.0	9.9
Asahi Y	681¾	–31	774¼	632¼	15,836	0.7	–
Banco Bil Vz Pta	£15⅛	+⅛	£17⅞	£14⅜	3,571	5.2	7.1
Banco Sant Pta	£24⅝	—	*£24⅝	£23⅛	3,683	5.2	Φ
Bk Ireland I£	313	–1	*316	288	1,498	4.6	9.1
Bank Scotland	216	+½	224	191½	2,517	3.1	12.1
9¼pc Pf	116	—	120	115¼	116.9	10.0	–
9¾pc Pf	121¾	–½	126¾	112¾	121.6	10.0	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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صكذا من الاصل

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Credit Investment Funds

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd

CDC International

Global Asset Management - Contd.

Man International Futures - Contd.

Sabre Futures Fund

Schroder Investment Management Limited

Allied Dunbar International Assce Ltd

Scottish Provident Intl Life Ass Ltd

Morgan Stanley Sicav

Murray Universal Sicav

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Rothschild Asset Management

Credit Commercial de France

Dresdner Bank

Dubai Japan Euro Fund

The Dragon Fund Sicav

Fidelity Intl Inv Mgmt (Luxembourg) SA

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Frankfurt Trust Investment Luxembourg AG

Sarasota Luxembourg S.A.

Global Funds Management S.A.

Global Futures & Options Sicav

Gartmore Investment Trusts

Societe Generale Group

State Street Luxembourg SA

SCITECH SA

Scudder, Stevens & Clark

Equitable Life (International)

Eagle Star Intl Life

Friends Provident International Life

Hansard International Ltd

Eurolife Assurance Group

Sun Alliance International Life

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

ATSF Management Ltd

Allied Dunbar International Fund Mngrs (1600)F

Arnhold and S. Bleichroeder, Inc

Asia Pacific Capital Strategies Fund

Asian Convertibles & Income Fd (Cayman)

Atlantic Investment Ltd

Bank of America

Banque de Gestion Privee, Paris

Barclays Diversified Fund

Baring International Group

Brunswick Capital Company Ltd

Butterfield Management Co Ltd

Prudential-Bache Global

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

CS Securities Investment Fund Mgmt Ltd

Daiwa AFT Japan Fund

Deutscher Investment-Trust

Dubai & Pacific Capital Fund

Gottex Fund Management

Indosuez Asset Management Asia Ltd

IDF Investment & Development Financing Ltd

Jardine Fleming Unit Trusts Ltd

Johnson Fry Securities Ltd

Mercury Asset Management

Matterhorn Fund Ltd

Merrill Lynch Asset Management

Millennium Asset Management

North Atlantic Management Co Ltd

Orbitex Investment Ltd

Optima Fund Management

Pacific Growth Fund

Perpetual

Prudential Capital Advisors

Regent Fund Management

Rosenwald, Roditi & Co Ltd

Taiwan Opportunities Fund Ltd

Templeton Galbraith & Hansberger Ltd

The Thai-Euro Fund Ltd

The Thailand Fund

The Thailand Growth Fund

Thames Currency Funds

Thornton Investment Management Ltd

Titan Capital Management

Tokai Global Funds Group

Tribune Global Hedge Ltd

Ultra Fund

Value Partners

Wells Fargo U.S. IT Fund

Worldwide Limited

Yamaichi Capital Management (Guernsey) Ltd

MANAGED FUNDS NOTES

MARKET REPORT

Shares close firmly but attract little business

By Terry Byland, UK Stock Market Editor

The second quarter of the year got off to a somewhat cautious start in the London stock market yesterday, with currency uncertainty continuing to restrain investment activity. The Footsie 100 Index was unable to regain the *3,150 support level, in* spite of clear indications that the Federal Reserve had intervened to support the US currency.

The dollar's fortunes dominated trading, even before the London market reopened after the weekend. The 5 per cent fall in Tokyo stocks *overnight increased tensions*, as investors looked for the Federal Reserve to repeat in European markets *the support it had apparently* given to the dollar in the Far East.

At the close, the FT-SE 100 Share Index stood at 3,143.1, well below the best of the day but showing a gain of 5.2 on the session.

Share prices opened lower in London, with domestic political uncer*tainty* also a factor ahead of the local elections, which begin in Scotland this week.

But the dip of 8 points on the Footsie in early trading came on the back of extremely low volume. The big institutions, having mostly made good profits towards the end *of the year's* first quarter, appeared to be concentrating on holding on to them; there was no willingness to part with stock.

The stock market soon rallied, led by stock index futures and by an increasingly firm performance from the government bond sector. Little attention was paid to news that M0 money supply had risen by an annual 7.8 per cent in March.

The Footsie moved up steadily for a while, only to fall prey to currency concerns as the US dollar fell to another low against the yen. But signs of further Fed intervention in currencies gave shares a new lease of life towards the close.

The FT-SE Mid 250 Index, less closely involved with currency markets, held firm to close 2.9 up at 3,437.6. This appeared to support the view of market strategists that the UK market was still supported on fundamental valuation arguments, particularly by the strong dividend flow.

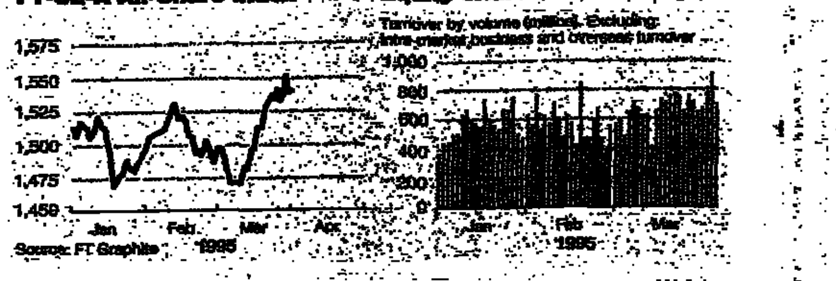
But the true picture of the session was disclosed by the woefully thin Seaq total of only 494.2m shares traded, compared with not far short of 700m on Friday, the last day of the first quarter.

A break-down of the Seaq total showed even more clearly how poor business had been among the market's blue chip stocks. Trading in non-Footsie listed issues made up more than 60 per cent of the day's total, well above more recent daily averages.

Against this backcloth, strategists were hesitant about reading too much into the market's performance. The international, dollar-orientated stocks mostly closed firmer but little interest was shown in the domestic interest-related issues.

The renewed bout of intervention in support of the US dollar by the Federal Reserve is expected to hearten confidence in the blue chip sectors but market traders have been noticeably unwilling to believe that currency intervention alone can reverse currency trends. London stock market investors will watch Far Eastern currency markets closely overnight.

FT-SE-A All-Share Index / Equity Shares Traded



Indices and ratios

FT-SE 100	3143.1	+5.2	FT Ordinary index	2408.5	+1.1
FT-SE Mid 250	3437.6	+2.9	FT-SE-A Non Fins p/e	16.99	(17.04)
FT-SE-A 350	1560.6	+2.2	FT-SE 100 Fut Jun	3169.0	-13.0
FT-SE-A All-Share	1540.61	+1.97	10 yr Gilt yield	8.46	(8.56)
FT-SE-A All-Share yield	4.10	(4.11)	Long gilt/equity yld ratio:	2.06	(2.12)

Best performing sectors
1 Textiles & Apparel .... +1.4
2 Diversified Inds .... +0.8
3 Pharmaceuticals .... +0.8
4 Retailers, Food .... +0.6
5 Water .... +0.6

Worst performing sectors
1 Spirits, Wines & Cids .... -1.0
2 Tobacco .... -0.8
3 Banks, Merchant .... -0.8
4 Media .... -0.6
5 Insurance .... -0.5

Glaxo firm on US move

Positive fundamental news gave a lift to Glaxo, shortly to become the world's biggest *pharmaceuticals company*. It offset a sell recommendation from one leading securities house and the shares gained 5 to 711p.

Glaxo announced it had received an "approvable" letter from the US Food and Drug *Administration for the tablet* version of its Imitrex anti-migraine treatment.

The long-awaited letter, seen as clearing up a couple of minor details before final approval is granted, could herald a significant boost for Glaxo. Mr Paul Woodhouse of Smith New Court believes sales of Imitrex tablets might boost current US turnover of £175m by as much as £500m over the next two or three years.

However, it is unlikely that analysts will be adjusting forecasts as most are awaiting details of the rationalisation that will follow Glaxo's takeover of Wellcome.

After the market closed, there was an announcement that legal action challenging the validity of Glaxo's Form 2 Zantac patent in Germany by Ratiopharm, a German generics company, had been withdrawn. Glaxo shares have risen more than 100p since the end of January and UBS was saying that it was time to switch holdings into SmithKline Beecham. SmithKline, hard hit by profit-taking over the past week, responded to the UBS comment and the A shares bounced 5 to 483p.

C&W strong

Another outstanding showing from Cable & Wireless saw the shares take second position in the FT-SE 100 performance league, with the stock price climbing 7 more to 395p after higher than usual turnover of 5.4m.

Along with its UK telecoms competitors, C & W delivered new subscriber figures for Mercury One-2-One, its joint ven*ture with US West. Dealers* said the 55,000 new customers were in line with analysts forecasts.

But the real driving force behind the latest rise in the share price came from renewed speculation that a potential buyer of the company *could* be waiting in the wings.

A report in the UK press at the weekend had suggested that AT & T of the US could be considering taking a substantial stake in Mercury, C & W's telecoms division.

Some analysts insist that C & W is one of the few viable takeover targets among the world's telecoms groups; "It's simply not big enough to compete with the big boys," said one telecoms analyst. "On a sum of the parts valuation, the company is worth 600p a share."

He pointed out that probably the only country in which a deal involving a bid for a telecoms giant could be carried out would be the UK. Veba, the German industrial holding company, bought a 10.5 per cent stake in C & W earlier this year.

Vodafone busy

A spate of new connection figures from the UK's cellular telephone companies triggered plenty of switching and general activity in the sector with Vodafone once again emerging as the most favoured.

Vodafone shares edged up 2 to 200½p, on heavy turnover of 8.6m, after the group revealed first quarter gross connections of 310,000 and net new connections of over 180,000, confirming its number one spot in the cellular phones business in the UK.

The figures were at the top end of the range of analysts' forecasts and helped dispel some of the recent worries in the market, which have focused on a high and growing "churn" rate in the sector.

*Some analysts remained cau*tious on the stock and Vodafone's growth potential: "much of the growth is coming from lower user subscribers, which means smaller profits," said one telecoms specialist.

Cellnet, the joint venture between BT and the Securicor group, also announced good rises in first quarter connections, with its subscriber base rising by over 172,000. BT shares eased a penny to 390p, while Securicor "A" shares edged up to 925p.

Several television stocks jumped on a press report that the government is to bring forward a parliamentary bill in the next session to set the framework for regulating digital television and tackle issues such as cross-media ownership.

The market hopes that rules, preventing newspaper publishers holding more than 20 per cent of commercial television and radio stations, may be *relaxed under the new legisla*tion.

Yorkshire gained 27 to 437p, Scottish 21 to 458p and Ulster 20 to 689p.

Market talk that a number of downgrades in Commercial Union, the composite insurer, are in the pipeline, triggered some sizeable selling pressure in the shares, with additional weakness prompted by aggressive buying by one broker of the 500p puts in the options market.

Royal Bank of Scotland dipped 4 to 402p after a broker recommendation to switch out of the stock and into either Abbey National, up 1½ to 472p, or Barclays, 623p.

SG Warburg dropped 12 to 705p after a big block of shares was bought at 697p and quickly sold into the market at 700p.

Kleinwort Benson, long viewed as one of the market's most likely takeover targets and where a bid from Dresdner *is still seen as on the cards*, dropped 20 to 627p.

Press reports suggesting that Charles Schwab, the US brokerage, will bid around 230p a share for the company very soon, saw ShareLink Investment Services close 12 ahead *at 219p*.

Govett, the investment management group, jumped 26 to 285p, as the market reacted to news that the group has received bids for its fund management businesses in London and San Francisco.

Smith & Nephew was steady at 168p after saying it had acquired Basel, an Italian bandage and dressings company, for £3m including assumed debt.

Zeneca lifted 5 to 875p. Its agrochemicals unit said it was developing plans to invest £30m to £40m in a new herbicide plant at its site at Huddersfield.

Courtaulds Textiles gained 10 to 471p after announcing it had sold its UK lingerie business, Contessa (Ladieswear), to Facia, a UK retail group which bought Salisburys stores from UK jewellery retailer Signet last year. Contessa had operating capital of £5m, as at March 31 1995.

Laporte, the speciality chemicals company, eased 3 to 674p after it announced the acquisition of Mapico, a pigments manufacturer based in St Louis, Missouri for $44m.

Shares in high street retailer Boots gave up 4½ to 504½p in trade of 2.7m, after ABN Amro-Hoare Govett advised investors to sell the stock.

Shares in Highland Distilleries, the whisky producer, tumbled 26 to 357p, as brokers downgraded profit expectations, following a disappointing set of interim figures.

Allied Domecq improved 9 to 538p.

FINANCIAL TIMES EQUITY INDICES

	Apr 3	Mar 31	Mar 30	Mar 29	Mar 28	Yr ago	*High	*Low
Ordinary Share	2408.5	2407.4	2433.6	2405.9	2395.4	2472.9	2433.6	2238.3
Ord. div. yield	4.39	4.40	4.35	4.39	4.42	3.77	4.66	4.35
P/E ratio net	16.57	16.60	16.84	16.86	16.57	21.07	18.04	16.57
P/E ratio nil	16.48	16.48	16.66	16.46	16.39	21.94	17.28	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2405.1	2402.1	2405.1	2412.4	2412.9	2412.0	2410.0	2409.0	2408.5	2413.5	2401.5

	Apr 3	Mar 31	Mar 30	Mar 29	Mar 28	Yr ago
SEAQ bargains	37,309	36,176	40,088	34,820	35,707	43,168
Equity turnover (£m)†	-	1491.5	2185.6	1831.5	1443.7	2035.4
Equity bargains†	-	49,095	58,212	48,600	45,654	53,707
Shares traded (m)†	-	680.4	923.0	796.8	682.2	884.2

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	705	Total Highs	131	Total contracts	14,349
Total Falls	627	Total Lows	149	Calls	6,253
Same	1,533			Puts	8,096

April 3 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3163.0	3169.0	+13.0	3179.0	3152.0	6768	67317
Sep	-	3193.0	+13.0	-	-	0	1811
Dec	-	3223.0	+13.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FT-SE 100 INDEX OPTION (LIFFE) (*3143) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock
150	F.P.	514.1	167	154	Albright & Wilson
-	F.P.	18.0	201	175	Beale
-	F.P.	3.81	123	113	Brit Aerospace Uts

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

FT - SE Actuaries Share Indices — The UK Series

	Apr 3	Day's chge%	Mar 31	Mar 30	Mar 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3143.1	+0.2	3137.9	3176.2	3142.3	3086.4	4.34	1.89	15.25	47.99	1218.81
FT-SE Mid 250	3437.6	+0.1	3434.7	3438.6	3421.8	3752.9	3.74	1.84	18.16	31.36	1307.15
FT-SE Mid 250 ex Inv Trusts	3449.3	+0.1	3445.5	3446.0	3430.0	3776.5	3.88	1.90	16.92	31.90	1309.88
FT-SE-A 350	1560.6	+0.1	1558.4	1573.5	1558.7	1570.4	4.20	1.86	15.82	21.68	1236.65
FT-SE-A 350 Higher Yield	1574.1	+0.2	1570.4	1588.4	1571.0	1578.4	5.17	1.71	14.19	28.27	1028.22
FT-SE-A 350 Lower Yield	1547.0	——	1546.3	1558.2	1546.5	1521.8	3.08	2.22	18.27	14.81	1029.74
FT-SE SmallCap	1715.60	-0.1	1717.03	1715.66	1709.34	1909.97	3.52	1.53	23.15	16.31	1363.85
FT-SE SmallCap ex Inv Trusts	1694.54	——	1695.32	1691.62	1686.41	1898.05	3.74	1.60	20.96	16.17	1341.78
FT-SE-A ALL-SHARE	1540.61	+0.1	1538.64	1552.46	1538.43	1551.97	4.15	1.86	18.21	20.89	1241.04

■ FT-SE Actuaries All-Share

	Apr 3	Day's chge%	Mar 31	Mar 30	Mar 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2715.03	+0.3	2707.93	2734.35	2696.59	2439.95	3.79	1.74	18.95	50.75	1117.10
12 Extractive Industries(7)	3680.12	+0.2	3674.37	3670.83	3593.13	3789.98	3.82	1.98	16.65	91.07	1041.88
15 Oil, Integrated(3)	2701.65	+0.3	2692.84	2725.76	2686.96	2353.36	3.92	1.78	17.93	47.68	1135.69
16 Oil Exploration & Prod(14)	1955.24	-0.1	1958.09	1974.36	1984.88	1764.40	2.52	0.43	80.00†	31.57	1150.34
20 GEN INDUSTRIALS(279)	1854.27	+0.4	1846.63	1854.68	1840.32	2052.77	4.24	1.61	18.33	22.93	965.59
21 Building & Construction(36)	962.48	+0.2	960.68	959.07	958.99	1305.37	4.13	1.85	16.33	11.61	769.52
22 Building Matls & Merchs(31)	1745.49	-0.3	1750.98	1753.94	1757.19	2108.37	4.30	1.67	17.38	12.85	836.86
23 Chemicals(22)	2210.64	+0.3	2204.98	2231.73	2217.55	2423.91	4.28	1.37	21.34	30.98	1002.27
24 Diversified Industrials(18)	1820.32	+0.9	1804.79	1820.39	1798.89	2047.96	5.24	1.44	16.60	34.89	961.23
25 Electronic & Elect Equip(37)	1959.07	+0.2	1955.13	1964.24	1941.35	1995.21	3.72	1.92	17.48	8.51	972.37
26 Engineering(72)	1797.08	+0.4	1789.07	1791.48	1777.98	1913.24	3.43	1.88	19.39	17.67	1046.38
27 Engineering, Vehicles(13)	2182.47	+0.5	2171.26	2172.57	2156.61	2223.28	4.18	0.76	39.30	27.93	1082.40
28 Paper, Pckg & Printing(27)	2794.45	+0.4	2783.88	2781.62	2746.81	2883.10	3.42	2.27	16.12	34.97	1120.56
29 Textiles & Apparel(21)	1550.77	+1.4	1529.44	1522.60	1512.19	1753.52	4.51	1.28	21.66	8.40	893.06
30 CONSUMER GOODS(94)	2957.99	+0.1	2954.87	2989.14	2963.14	2699.47	4.38	1.58	18.10	49.86	1045.89
31 Breweries(18)	2254.22	+0.3	2248.14	2250.88	2210.25	2191.96	4.25	2.00	14.72	11.96	1092.77

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

FT CONFERENCES

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK.

WORLD STOCK MARKETS

US INDICES

Dow Jones	Mar 31	Mar 30	Mar 29	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4157.69	4172.56	4160.80	4172.56 (30/3)	3832.08 (30/1)	4172.56 (30/3/95)	41.22 (2/7/32)
Home Bonds	98.62	98.36	97.97	98.52 (31/3)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1635.74	1655.07	1625.73	1655.07 (30/3)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.65	187.71	187.25	196.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4184.00 (4213.97) Low 4100.28 (4128.29) (Theoretical♦)
Day's high 4172.58 (4183.28) Low 4112.04 (4153.86) (Actual♦)

Standard and Poors	Mar 31	Mar 30	Mar 29	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	500.71	502.22	503.12	503.90 (28/3)	459.11 (3/1)	503.90 (28/3/95)	4.40 (1/6/32)
Industrials♥	596.69	598.00	598.00	599.96 (28/3)	546.28 (3/1)	599.96 (28/3/95)	3.82 (21/6/32)
Financial	46.39	46.50	46.68	46.71 (28/3)	41.41 (2/1)	48.46 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	271.04	271.83	271.84	271.92 (28/3)	250.73 (3/1)	271.92 (28/3/95)	4.46 (25/4/42)
Amex Mkt Val	464.41	465.01	462.95	465.61 (30/3)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	817.21	816.86	819.16	828.14 (28/3)	743.58 (3/1)	828.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 31	Mar 24	Mar 17	Year ago
Dow Jones Ind. Div. Yield	2.64	2.65	2.69	2.81
	Mar 29	Mar 22	Mar 15	Year ago
S & P Ind. Div. yield	2.27	2.33	2.33	2.51
S & P Ind. P/E ratio	18.05	17.60	17.80	23.55

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	4,613,800	34½	-¼
Motorola	4,489,900	54⅝	-½
Barrick	3,911,900	25	+⅛
Merck	3,584,200	42⅝	+⅛
First USA	3,408,700	41⅞	+⅛
Telefonos	3,401,700	28⅝	-⅛
Gen Motors	3,369,000	44⅛	-⅛
Micron	3,335,700	76⅝	+1⅞
K Mart	3,134,800	13⅝	+⅛
Ford Motor	3,046,700	27	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Mar 31	Mar 30	Mar 29
New York SE	352.947	385.921	380.727
Amex	27.779	23.552	16.385
NASDAQ	309.040	330.074	374.386
NYSE			
Issues Traded	2,885	2,894	2,980
Rises	971	1,307	1,087
Falls	1,227	805	1,036
Unchanged	727	822	837
New Highs	70	85	119
New Lows	15	6	11

INDICES

	Apr 3	Mar 31	Mar 30	1995 High		1995 Low	
Hong Kong Hang Seng(31/7/64)	8400.44	8587.72	8576.17	8827.33	23/3	[illegible]	23/1
India BSE Sens.(1979)	3314.31	3260.98	3268.32	3852.98	2/1	3293.31	22/2
Indonesia Jakarta Comp.(10/8/82)	424.48	(c)	428.64	481.22	5/1	422.13	24/3
Ireland ISEQ Overall(4/1/88)	1854.83	1859.30†	1850.36	1862.77	10/2	1813.59	23/1
Italy Banca Comm Ital (1972)	592.35	598.47	605.96	668.54	10/2	587.98	23/3
MIB General (2/1/95)	936.0	947.0	957.0	1076.00	10/2	928.00	23/3
Japan Nikkei 225 (16/5/49)	15381.29	16139.95	16512.22	19723.06	3/1	15381.29	3/4
Nikkei 300 (1/10/82)	231.22	241.99	244.60	287.17	3/1	229.05	24/3
Taiwan Weighted Pr.(30/6/66)**	(c)	6524.00	6514.46	7124.66	3/1	6167.78	24/1
Thailand Bangkok SET (30/4/75)	1186.71	1216.68	1220.72	1373.85	5/1	1136.69	16/3
Turkey Istanbul Cmp.(Jan 1986)	41471.6	39837.3	39456.1	41471.60	3/4	24644.31	23/1
WORLD MS Capital Int (1/1/70)§	638.1*	644.7	637.2	644.79	3/4	598.21	23/1
CROSS-BORDER Eurotrack 100(26/10/90)	1252.05	1254.30	1258.27	1348.38	10/2	1222.41	13/3
Euro Top-100 (26/6/90)	1152.09	1147.16	1161.73	1202.87	10/2	1114.64	10/3
JCapelDrgns (31/12/88)	(c)	307.82	307.92	309.49	29/3	282.07	25/1
Barings Emerg.(7/1/92)	132.36	133.80	133.09	169.07	3/1	117.16	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Mar	1857.0	1873.0	+10.0	1883.0	1849.0	17,138	21,284
Apr	1851.5	1871.0	+10.5	1876.0	1851.5	355	10,014
■ DAX							
Jun	1920.00	1943.00	+3.0	1954.0	1910.0	18,278	112,296
Sep	1935.50	1966.00	+5.5	1977.5	1936.0	185	2,202
■ OMX							
Apr	1125.00	1133.00	+3.50	1139.00	1125.00	3,910	22,201
May	-	-	-	-	-	-	390
■ BOFFEX							
Apr	2492.0	2515.5	+11.5	2523.0	2484.0	4,789	19,652
Jun	2468.0	2482.0	+24.0	2489.0	2468.0	106	12

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	503.90	503.95	-0.45	504.40	503.00	77,802	189,488
Sep	508.00	508.00	-0.55	508.10	508.00	876	8,919
■ Nikkei 225							
Jun	15700.0	15430.0	-690.0	15740.0	15260.0	39,834	¶125,626
Sep	15740.0	15740.0	-1070.0	15740.0	15740.0	3	29

Open interest figures for previous day.

** Sat Apr 1 : Taiwan Weighted Price 6573.54; Korea Comp Ex 894.09. Base values of all indices are 100 except: Australia All Ord & Min 500; Austria Trd, BEL20, HEX Gn., MIB Gn., SBF250, CAC40, Euro Top-100, ISEQ Over; Toronto Cmp./Met & Min and DAX – all 1,000; JSE Gld – 255.7; JSE 25 Ind– 264.3; NYSE All Com – 50 and Stand & Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. PLEASE NOTE: HIGHS & LOWS ARE NOW FOR 1995 ‡ IBIS/DAX after-hours index: Apr 3 - 1934.98 +20.37.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, April 3, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.6m	320	-16	Fudo Const	3.5m	785	
Sumitomo Const	4.8m	615	+2	Mitsubishi Hvy	3.5m	585	-28
Hitachi	4.7m	850	-50	Nomura Secs	3.0m	1590	-30
Tosoh	4.2m	405	-30	Matsushita	2.8m	1330	-70
Toshiba	4.0m	582	-27	Mitsubishi Elec	2.8m	604	-34

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US$.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 3

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	12⅛	AAR	0.48	3.8	21	321	12½	d12⅛	12½	+⅜
23⅛	19¼	ALPharmaA	0.18	0.8	295	218	u23⅝	22¾	23⅝	+¾
38¼	35	AMP	0.92	2.5	20	3361	36½	35⅞	36½	+½
65⅞	53⅜	AMR			28	5717	64⅞	64⅜	64⅞	+⅛
47⅞	41⅞	ASA	1.71	3.7	30	939	47	46¼	46¾	+⅛
38⅜	30¾	AbbtL	0.84	2.3	18	7954	36⅜	35¾	36⅜	+¾
14½	12	Abitibi Pr	0.50	3.6	19	157	14⅛	13⅞	14	
24¾	22	ABM Ind	0.60	2.7	13	125	22¾	22⅜	22⅜	-⅜
16⅞	14¼	Acpbncaln			8	132	15	14⅝	14⅝	-¼
25⅞	21⅞	ACE Ltd	0.44	1.7	8	142	u26	25	26	+¾
9¾	8⅛	ACM Gvt In x	0.90	11.1	7	171	8⅛	d8⅛	8⅛	
7½	6½	ACM GvOpp x	0.66	9.8		69	6¾	6⅝	6¾	
7½	5¾	ACM Gvt Sp x	0.78	12.0		140	6¼	6⅛	6¼	
8⅝	7¼	ACM Gvt Se x	0.90	12.4		643	7⅜	d7¼	7¼	-⅛
8½	7⅝	ACM Mgn x	1.08	13.9		282	7⅞	7¾	7¾	-⅛
7⅝	7⅛	ACM Managd x	0.72	10.1		227	7¼	d7⅛	7⅛	+1/32
17	10¼	AcmeClv	0.48	2.9	9	35	16½	16⅛	16⅜	+⅜
21½	12⅜	Acme Elect			21	214	19⅜	19	19⅛	+¼
34½	31⅜	Acordia	0.72	2.2	15	23	32½	32⅜	32½	
11⅜	8⅝	Actava	0.36	3.7	7	78	9¾	9⅝	9¾	+⅛
16¾	11⅜	Acuson			18	924	11¾	d11⅛	11½	+⅛
16⅝	15⅝	Adams Expr	0.36	2.2	0	287	16¼	16⅛	16⅛	
68½	53	Ad Micro	3.00	4.5		66	66	66	66	
35⅞	25	AdvMic	3.00	8.8	11	7744	34⅛	33⅛	34⅛	+¼
6⅜	5	Advest Grp	0.16	2.8	28	67	5¾	5⅝	5¾	
20¼	16½	Advo Inc	0.10	0.5	16	385	20	19⅞	20	+⅛
71¾	63⅞	Aegon ADR	1.47	2.1	14	128	71½	70⅞	71¼	-¼
4⅜	3⅜	Aerfix			5	123	4	3⅞	4	
57¼	46¾	AetnaL	2.76	4.7	14	4662	u58⅛	56⅞	58⅛	+1⅛
42¾	31⅞	Aflac	0.46	1.1	14	1435	40½	39⅞	40½	+⅛
18⅝	16	Ahmnsn	0.88	4.8	10	815	18⅜	18¼	18¼	+¼
1⅜	13/16	Aileen Inc			0	464	13/16	13/16	⅞	+1/16
[illegible]										

- A -

- B -

- C -

- D -

- E -

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4 pm close April 3

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
40⅛	32⅞	Salomn	0.64	1.9	7	1028	33⅞	33½	33½	-⅜
21⅝	19⅜	SnDgGE	1.56	7.5	17	193	20⅝	20⅜	20½	-¼
10	8	SantaFeERs	0.16	1.7	160	1065	9⅝	9½	9⅝	
12⅞	9	SFeGd			27	4573	u12⅞	12⅝	12¾	+⅛
35⅞	33¼	SFePPpe	2.80	7.8	9	72	u37	36½	36⅞	+⅛
23⅝	17⅛	SanFeP	0.10	0.4	22	3188	23¼	22⅞	23¼	+¼
27¾	24¼	SaraLee	0.68	2.5	55	5161	27⅛	26¾	27	+⅞
45⅝	41⅛	Scana Corp	2.88	6.9	13	212	41⅞	41¾	41¾	
16¼	14½	Scecp	1.00	6.5	10	4387	15⅝	15⅜	15½	-⅛
11¼	8⅛	SchawkA	0.25	3.0	30	59	8¾	8½	8⅝	+⅛
50¼	42⅞	ScheringPl			30	2275	50	48½	48⅝	-1⅝
79⅝	71	SchPl	2.04	2.7	15	4185	76¼	74⅛	76¼	+1⅞
60⅛	50⅛	Schlmb	1.20	2.0	26	4807	59⅞	58⅝	58¾	-⅞
32⅞	22⅛	Schwab(C)	0.24	0.8	20	2580	31¾	31¼	31¼	-⅝
10⅞	7⅞	Schwitzer			8	33	10⅞	10¼	10⅞	+⅛
24⅞	17½	SciAtl	0.06	0.3	30	4281	23½	22⅝	23½	+⅛
18⅝	16⅞	Scotman	0.10	0.6	12	35	18½	18	18	-½
91⅛	87⅛	ScttP	0.80	0.9	24	2795	89¼	87½	88¼	-1⅛
32¾	28⅞	Scripps	0.44	1.4	19	200	32⅝	31⅝	31⅞	-⅜
21½	14⅝	ScuddrNAsF	0.02	0.1		253	16¾	16	16¾	+⅞
9¼	8⅝	ScuddrNEuF	0.18	1.8		278	9	8⅞	8⅞	-⅛
14⅞	13⅝	SeaCnB	0.70	5.0	9	6	14⅛	14	14	
16	14⅝	SeaC1.4625	1.46	9.6		2100	15⅛	15¼	15⅛	+⅛
28⅝	23⅝	Sgate			8	1429	27½	27½	27¾	-⅛
32⅝	28⅝	Seagrm	0.60	2.0	13	11638	31¼	29⅞	30⅛	-1⅝
20	15¾	SeagulEn			219	2325	19⅞	19⅝	19¾	
45½	35⅞	SealedAir			22	841	42⅞	42¼	42¾	-⅜
54⅛	44⅞	SearsR	1.60	3.0	16	4531	53⅞	53	53⅞	
12¾	10⅞	SelgmSel	0.84	7.0		57	12⅛	12	12	-⅛

NASDAQ NATIONAL MARKET

4 pm close April 3

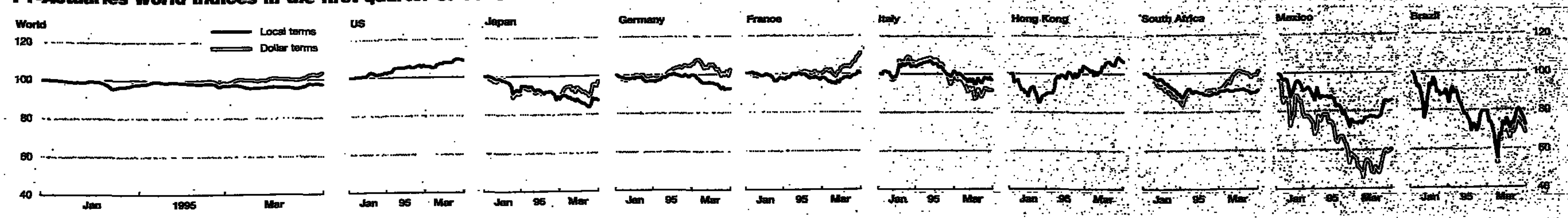
AMEX COMPOSITE PRICES

4 pm close April 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Calprop		8	101	u1⅜	1¼	1¼	
Cambrex	0.20	15	66	31⅛	30⅝	31⅛	+⅝
Garan	0.80	12	66	17⅞	17¾	17¾	-⅛
Giant FdA	0.72	14	203	24⅛	23½	23⅝	-¼
MSR Expl		18	86	1½	1½	1½	
ViacomA		182	590	45⅞	45⅛	45½	-¼
ViacomB			7685	45	44⅝	44¾	
Xytronix		1	22	1¾	1⅝	1⅝	-⅛

FT-Actuaries World Indices in the first quarter of 1995

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and NatWest Securities Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Share prices buffeted by opposing forces

Wall Street

US equities were mixed yesterday morning as Treasury bond prices rose, but the dollar failed to gain ground in spite of intervention by the Federal Reserve to support the beleaguered currency, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 5.88 higher at 4,163.57, while the Standard & Poor's 500 was off 0.15 at 500.56. The American Stock Exchange composite rose 0.11 at 464.52, and the Nasdaq composite was off 3.71 at 813.50. Trading volume on the NYSE came to 156m shares.

Prices were buffeted by opposing forces: data from the National Association of Purchasing Management reinforced the notion that the economy was slowing without another round of monetary tightening from the Federal Reserve; but the Fed was unsuccessful in its effort to lift the currency off a new post-World War II low against the Japanese yen.

The economic data helped the bond market to gain, but prices fell off their session highs after it became apparent that the Fed would not be successful in shoring up the value of the dollar.

In individual shares, E-Systems rocketed $18¼ to $63⅝ after Raytheon announced that it would buy the defence company for $64 a share or $2.3bn. Raytheon shares fell $⅝ at $72¼.

Wellpoint Health Networks dropped $1⅞ at $33⅞ after the health care services company agreed to a merger with Health Systems International, down $¼ at $33⅞.

Continental Medical jumped $3½ at $11¼, while Horizon Healthcare shed $4 at $22¾ after the two companies announced that they would merge in a deal valued at $502m.

Morrison Knudsen added 14.6 per cent with its shares rising $⅞ at $6⅞, after the engineering, construction and rail company named a former vice-chairman of Chrysler for the post of chairman.

Canada

Toronto was unsettled at midday by the volatility of the US dollar and uncertainty about the direction of other markets. The TSE-300 index was down 26.89 at 4,286.72 by noon in volume of 20.9m shares. All 14 sub-indices posted moderate to heavy losses by midday. Consumer products sank 152.66 to 6,816.84 as Seagram dropped C$1⅝ to C$42¾ after the company declined comment on reports that it planned to sell back its 24 per cent stake in Du Pont.

Latin America

BRAZILIAN equities continued to weaken as investors remained wary regarding the future direction of economic policy following a statement by the president, Mr Fernando Henrique Cardoso, at the weekend. The Bovespa index was down 841 or 2.8 per cent at 28,948 by midsession.

Last week tariffs on a number of imported goods were raised, but Mr Cardoso held out the possibility in a weekend statement that the tariffs could be reduced in the near future. There were worries that bank reserve requirements could be tightened.

MEXICO moved cautiously higher, the IPC index up 10.18 at 1,843.01 by midday, and in **ARGENTINA** the Merval index improved 1.16 to 383.62.

EUROPE

Continental bourses gain new champion

Continental bourses gained a new champion yesterday in Mr Albert Edwards, global strategist at Kleinwort Benson, whose latest weekly raised its continental European weighting from 4 per cent to 16 per cent, *writes Our Markets Staff.*

Mr Edwards believes that the bear market in continental European bonds is largely over; that earnings visibility has been good, and that moderate prospective p/e's now seem attainable; that European equities are a very good hedge against an outright US recession; and that last week's discount rate cut by the Bundesbank will have an effect on the D-Mark – "perhaps not against the US$, but certainly against the yen".

FRANKFURT seemed to be in tactical, rather than strategic mode. Turnover fell yet again, this time from DM5.8bn to DM4.7bn as the Dax index rose though a session close of 1,930.82 to an Ibis-indicated 1,934.96, up 20.27.

The key index moved with firmer Dax futures prices, suggesting short covering after Friday's 35-point fall. Individual gains, too, were most obvious in the recently weak chemicals and carmakers, BASF rising DM5.30 to DM281.80, Volkswagen DM9.70 to DM358.60 after last week's better than expected 1994 earnings, and Henkel recovering DM20 to DM527 following a drop of DM26 last Friday.

Meanwhile, the banking season continued with an 8 per cent decline in net profits from Bayernverein, mild after Friday's 20 per cent drop at Dresdner; the shares, which fell DM19.80 on Bayernverein's rights issue news last Friday, recovered nearly half of their losses at DM395, up DM9.

PARIS found little to cheer about; there was some disappointment that the Bank of France did not cut interest rates in response to last week's action by the Bundesbank. However, there was a general consensus that the bank might yet make a move at its monetary council meeting on Thursday. Much would depend, brokers said, on the level of the franc against the D-Mark over the next few days.

The CAC-40 index improved 4.52 to 1,864.00, having touched a high of 1,872 during the day. JP Morgan Securities in London raised the French market to overweight following the Buba cut, and argued that the market demonstrated good fundamentals which included low inflation, solid growth and low valuation.

Alcatel Alsthom put on FFr14.60 to FFr449.00 ahead of tomorrow's 1994 results, which are expected to reveal a substantial downturn in profits from their 1993 level.

Among vehicle manufacturers Peugeot improved at the expense of Renault, adding FFr8 to FFr684 as the latter slipped FFr3.40 to FFr164.50. James Capel yesterday added its voice to those downgrading Renault following last week's interim results.

AMSTERDAM moved gingerly ahead, the AEX index rising 0.88 to 394.28.

Fortis AMEV, the Dutch-Belgian financial services group, was unchanged at Fl 74.10 as investors bided their time ahead of Thursday's 1994 results. Analysts forecast a profits rise of some 15 per cent.

Frans Maas, the road transport group in which KLM holds a 32 per cent stake, fell 50 cents to Fl 43.50; after the close it passed its dividend, and estimated a loss for 1994 of some Fl 14.5m. The company expected to make an improvement in its 1995 figures as its restructuring measures began to come through.

Borsumij Wehry, the trading group, lost 90 cents or 3.2 per cent to Fl 27.50 after the stock exchange announced that the company was being investigated in connection with alleged share purchase irregularities.

Aegon, the insurer, which forecast on Friday a rise of between 7 to 12 per cent in net profit for 1995 slipped 30 cents to Fl 109.50.

ZURICH finished flat in very thin, futures related trading, with prices tracking currency movements. The SMI index rose 2.2 to 2,511.1.

Financials were supported by lower interest rates. UBS rose SFr5 to SFr1,037 and SBC SFr3 to SFr376. A SFr 9 rise in Swiss Re registered to SFr762 was attributed to demand from several Swiss banks.

Sulzer certificates gained SFr5 to SFr689 after the group's announcement of an increased 1994 dividend.

MILAN was depressed by the weakness of the lira against the D-Mark, the slow progress in pension reform negotiations between the government, employers and unions, and worries about forthcoming regional elections. The Comit index fell 7.12 to 592.35.

Olivetti fell L62 or 3.9 per cent to L1,528 on continuing worries about the 1994 results and speculation, in spite of company denials, about a possible capital increase. Cir, the De Benedetti industrial holding company, lost L44 or 3.2 per cent to L1,330.

Nordic bourses hosted some strong individual stories. In **STOCKHOLM**, with the Affärsvärlden General index up a mere 2.60 to 1,461.30, Autoliv rose SKr5 to SKr284 on confirmation of talks with Ford on the supply of airbags and seatbelts, but Volvo fell SKr2.50 to SKr125 after it said that its Procordia Food, and Abba Seafood units were to be sold to Norway's Orkla.

OSLO saw Orkla A shoot up NKr11 to NKr238 on the same deal as the all share index rose 2.94 to 609.94. In **COPENHAGEN**, there was support for Tele Danmark which rose DKr5 to DKr293 as the KFX index close 0.58 higher at 90.09; but the insurer, Topdanmark, fell DKr16 to DKr560 after news of a heavy loss, and an impending rights issue.

TEL AVIV fell 2.2 per cent, on top of Sunday's 2.7 per cent decline, on a continued selling by the speculators who pushed the market higher last week. The Mishtanim index fell 3.47 to 158.11 as the government's privatisation committee postponed implementation of the first stage in El Al Israel Airlines' privatisation for six months, because of disagreements among the government, its advisors and management over the value of the airline.

ISTANBUL continued on its record setting way, adding 4.1 per cent to the 8.6 per cent advance registered throughout last week. The composite index rose 1,634.35 to an all time high of 41,471.68, in turnover that firmed to TL11,660bn from Friday's TL11,010bn and compared with a record high of TL12,460bn on Thursday.

FT-SE Actuaries Share Indices

Apr 3					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1243.96	1245.75	1246.94	1247.69	1247.70	1250.64	1249.61	1252.06
FT-SE Eurotrack 200	1351.67	1354.81	1355.42	1357.09	1355.95	1358.19	1357.67	1360.10
	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27			
FT-SE Eurotrack 100	1254.30	1268.27	1236.95	1242.45	1254.68			
FT-SE Eurotrack 200	1382.27	1376.38	1349.07	1353.50	1363.70			

Base 1000 (26/10/90). Highday: 100 - 1252.72; 200 - 1361.77 Lowday: 100 - 1243.96 200 - 1351.67 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

SOUTH AFRICA

Johannesburg gold shares renewed Friday's gains in reaction to the strength of the bullion price but industrials ended little changed on a lack of institutional interest.

The overall index gained 44.5 to 5,326.4, industrials were unchanged at 6,655.4 and golds jumped 65.1 or 4.4 per cent to 1,534.5 after a 6 per cent rally on Friday.

ASIA PACIFIC

Nikkei begins year with 4.7% dive

Tokyo

The yen's rise against the dollar prompted selling of stock futures by domestic institutions and, on the first day of the new fiscal year, the Nikkei index plunged 4.7 per cent on arbitrage unwinding, *writes Emiko Terazono in Tokyo.*

The Nikkei index lost 758.66 to 15,381.29, its lowest level since August 1992, after a high of 16,079.64 and a low of 15,271.79. The Topix index of all first section stocks fell 57.28, or 4.4 per cent, to 1,250.61, while the Nikkei 300 declined 10.77 to 231.22.

Domestic institutions hedged positions, which pushed down futures prices and triggered the unwinding of arbitrage positions by both domestic and foreign dealers. The sharp fall in the dollar also prompted the liquidation of export oriented stocks.

Volume fell to 315m shares against Friday's 410.7m. In London, the ISE/Nikkei 50 index added 2.52 to 1,032.42.

"There were not any buyers in the market and the index fell on thin trading without much panic," said Mr Yasuo Ueki at Nikko Securities. Declines overwhelmed advances by 1,050 to 24, with 48 issues remaining unchanged.

Some brokers commented that unless the government came up with measures to stem the yen's strength in foreign exchange trading the market might not be able to pull out of its current downturn.

"If the Nikkei falls below 15,000, there will not be technical support until 14,309, the level which it fell to in 1992," said one Japanese trader. Investors were also disappointed by the Bank of Japan's failure to cut its official discount rate after last week's unexpected German interest rate cut.

Buying of the dollar on the currency market by the US Federal Reserve and the Bank of Japan failed to support the US currency. Currency traders noted that it was the first time in six years that the US Fed had intervened in Tokyo.

Index-linked selling hit the banking sector which lost 5.5 per cent overall. Industrial Bank of Japan lost Y100 to Y2,150, Fuji Bank Y150 to Y1,700 and Sumitomo Bank Y160 to Y1,690.

High-technology stocks were also affected by the yen's strength. Hitachi fell Y50 to Y850 and Sony Y250 to Y4,100. Some individuals bought speculative stocks, with Sumitomo Construction gaining Y2 to Y615.

In Osaka, the OSE average fell 883.03 to 17,324.53 in volume of 6.2m shares.

Aoyama Trading, the men's suit retailer, was one of the day's few gainers, rising Y40 to Y1,300. Confidence improved following last week's press conference at which the company denied speculation that it had posted large losses due to derivative trading; and that the company president had ties with Aum Shinrikyo, the religious cult which is suspected of being linked to last month's nerve gas attack on the Tokyo subway.

Roundup

Tokyo's depressed mood spilled over to the region amid below average turnover. Taipei was closed for a holiday.

HONG KONG followed Tokyo's lead and the Hang Seng index fell 187.28 to finish at 8,400.44 after rotational buying of property counters lifted it off the low of 8,362.20. Turnover shrank to HK$2.3bn against HK$3.1bn on Friday.

Banks were among the day's biggest losers with HSBC Holdings easing HK$2.25 to HK$85 and Hang Seng Bank down HK$1.91 to HK$50.50.

SYDNEY saw selected gains among gold mining issues on a firmer bullion price, as leading industrials weakened. The All Ordinaries index dipped 7.1 to 1,899.5 in light turnover of A$287m.

In the mining sector, CRA eased 8 cents to A$17.68 and the firmer gold price boosted MIM, up 5 cents at A$1.93 and WMC up 1 cent at A$6.88.

SINGAPORE was weak in the absence of institutional demand with the volatile US dollar also curbing trading interest and the Straits Times Industrials index closed 18.47 down at 2,074.65.

KUALA LUMPUR took its lead from foreign markets with the weak US dollar also curbing demand from foreign funds. The composite index lost 17.76 or 1.8 per cent at 966.31 in thin volume of 74.6m shares.

Resorts World extended its slide, losing 50 cents to M$12.60 on the back of its disappointing full-year results. Poor earnings also took Ekran down 35 cents to M$8.75.

North Borneo Timbers' timber deal, signed on Friday, failed to generate fresh buying, with the stock falling 40 cents to M$12.0.

SEOUL fell 1.2 per cent in very thin and hesitant trade which left the composite index 11.45 lower at 922.64.

MANILA reacted in line with the regional trend as the composite index gave up 15.62 to 2,376.63. Some profit-taking was also evident after last week's near 6 per cent gain. Turnover was 757.5m pesos.

BANGKOK was pressured by across-the-board selling which left the SET index down 29.97 or 2.5 per cent at 1,186.71, but off the day's low of 1,182.80. Turnover was moderate at Bt3.9bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 31 1995								THURSDAY MARCH 30 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	161.62	1.7	147.10	88.27	114.99	146.55	1.0	4.05	158.94	147.59	90.00	116.57	145.14	180.82	157.95	182.46
Austria (16)	185.75	3.9	169.09	101.45	132.15	132.10	0.8	1.23	178.82	166.04	101.25	131.15	131.09	198.89	167.46	181.00
Belgium (35)	182.59	2.6	166.22	99.72	129.91	126.56	-0.6	4.22	177.94	165.22	100.75	130.50	127.26	182.59	161.53	165.99
Brazil (28)	111.80	-3.5	101.77	61.06	79.54	184.59	-4.1	1.78	115.81	107.54	65.57	84.94	192.39	-	-	-
Canada (103)	134.04	-0.5	122.01	73.20	95.36	136.15	-0.2	2.57	134.66	125.04	76.25	98.76	136.49	140.25	120.54	130.33
Denmark (33)	260.38	3.2	237.02	142.20	185.25	192.15	0.3	1.65	252.41	234.37	142.92	185.12	191.61	275.27	236.61	264.60
Finland (24)	178.42	3.6	162.42	97.44	126.94	160.95	0.9	1.48	172.20	159.89	97.50	126.29	159.52	201.41	133.88	142.01
France (101)	181.66	1.4	165.37	99.21	129.25	136.87	-1.3	3.15	179.17	166.36	101.45	131.40	138.48	181.66	157.79	170.40
Germany (58)	146.74	3.1	133.55	80.14	104.40	104.40	0.1	2.14	142.25	132.09	80.55	104.33	104.33	154.61	132.08	137.25
Hong Kong (56)	347.07	-0.8	315.89	189.55	246.93	344.54	-0.8	3.88	349.68	324.70	198.00	256.47	347.15	416.42	277.40	374.62
Ireland (16)	217.94	2.4	198.36	119.08	155.06	188.27	0.4	3.61	212.73	197.54	120.45	156.02	187.50	217.94	177.56	181.57
Italy (58)	68.85	-0.2	62.67	37.60	48.99	87.27	-1.6	1.75	69.01	64.08	39.08	50.61	88.66	97.78	65.45	87.19
Japan (484)	152.27	2.7	138.59	83.16	108.34	83.16	-1.0	0.82	148.32	137.72	83.98	108.78	83.98	170.10	136.95	151.71
Malaysia (97)	487.75	0.2	443.93	266.38	347.03	475.73	-0.1	1.66	486.73	451.95	275.60	356.98	475.97	594.76	398.16	441.05
Mexico (18)	854.72	1.5	778.06	466.80	608.10	6275.23	0.4	1.73	842.44	782.24	477.00	617.85	6249.55	2414.12	647.81	2051.85
Netherland (19)	236.80	1.6	215.52	129.33	168.48	165.34	-1.6	3.78	233.17	216.51	132.02	171.01	167.97	236.80	191.28	195.19
New Zealand (14)	75.69	0.9	68.89	41.34	53.85	61.46	0.3	4.80	74.96	69.62	42.45	54.99	61.28	77.20	62.05	62.89
Norway (23)	209.88	1.8	191.06	114.63	149.32	174.68	-0.5	2.28	206.13	191.40	116.71	151.18	175.52	218.03	177.53	193.57
Singapore (44)	363.66	1.4	331.00	198.62	258.74	236.58	0.7	1.82	358.54	332.92	203.01	262.96	234.90	401.38	297.82	304.51
South Africa (59)	340.17	2.1	309.66	185.78	242.02	265.91	1.4	2.58	333.22	309.41	188.68	244.39	262.18	342.00	205.55	233.10
Spain (38)	130.04	1.7	118.37	71.02	92.52	124.13	-0.3	4.45	127.89	118.75	72.41	93.79	124.47	150.21	124.10	140.24
Sweden (48)	234.03	0.5	213.01	127.82	166.51	255.34	-0.8	2.24	232.87	216.23	131.85	170.79	257.29	247.40	195.70	205.30
Switzerland (47)	183.53	3.1	167.07	100.23	130.57	128.12	-0.8	1.96	177.97	165.25	100.77	130.53	129.10	183.53	149.91	161.94
Thailand (46)	141.48	0.1	128.77	77.27	100.66	135.35	-0.3	3.11	141.38	131.28	80.04	103.68	135.79	-	-	-
United Kingdom (203)	207.16	0.9	188.55	113.14	147.39	188.55	-1.1	4.35	205.26	190.59	116.22	150.54	190.59	207.16	181.11	188.33
USA (511)	204.49	-0.4	186.14	111.68	145.48	204.49	-0.4	2.76	205.24	190.57	116.21	150.52	205.24	205.79	178.95	181.63
Americas (860)	187.12	-0.4	170.34	102.20	133.13	157.19	-0.4	2.75	187.85	174.42	106.36	137.77	157.81	-	-	-
Europe (719)	178.36	1.6	162.36	97.41	126.90	147.21	-0.9	3.31	175.51	162.96	99.37	128.72	148.50	178.36	160.59	165.71
Nordic (128)	226.06	1.6	205.78	123.46	160.83	201.58	-0.3	2.01	222.47	206.57	125.96	163.16	202.13	235.72	197.70	202.30
Pacific Basin (809)	160.22	2.9	145.83	87.51	113.99	93.35	-0.8	1.28	156.60	145.41	88.67	114.85	94.11	176.86	145.93	169.54
Euro-Pacific (1528)	167.68	2.0	152.64	91.58	119.30	113.93	-0.8	2.17	164.38	152.63	93.07	120.56	114.89	175.14	154.73	161.96
North America (614)	200.12	-0.4	182.17	109.29	142.38	199.83	-0.4	2.77	200.87	186.51	113.73	147.32	200.55	201.34	175.67	178.44
Europe Ex. UK (516)	159.12	2.0	144.85	86.90	113.21	124.33	-0.8	2.71	155.95	144.81	88.30	114.38	125.26	159.12	144.12	149.71
Pacific Ex. Japan (325)	239.02	0.4	217.55	130.54	170.06	211.03	0.1	3.26	238.01	221.00	134.77	174.56	210.90	273.13	211.19	236.76
World Ex. US (1736)	167.97	1.9	152.91	91.74	119.51	117.21	-0.8	2.19	164.82	153.04	93.32	120.88	118.14	176.65	155.42	162.95
World Ex. UK (2044)	176.13	1.1	160.33	96.19	125.31	138.31	-0.6	2.19	174.24	161.79	98.66	127.79	139.12	178.59	163.46	166.22
World Ex. Japan (1763)	194.76	0.5	177.29	106.37	138.56	180.16	-0.5	2.99	193.88	180.03	109.78	142.19	181.07	194.76	176.34	178.86
The World Index (2247)	178.85	1.1	162.80	97.68	127.24	142.70	-0.6	2.40	176.95	164.31	100.19	129.78	143.61	180.80	165.92	168.17

Constituent change with effect 4/4/95: Deletion: Hitachi Sales (Japan). Constituent change with effect 5/4/95: Deletion: Maxus Energy (USA). Latest prices were unavailable for this edition.